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1983 EXECUTIVE TOTAL COMPENSATION STUDY

500 LARGEST INDUSTRIALS

THE TOP AND BOTTOM

TPF&C

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TPF&C EXECUTIVE TOTAL COMPENSATION STUDY

TPF&C's annual study of executive compensation in the Top 100* U.S. industrials and the Bottom 100* U.S. industrials (companies ranked 401-500) tracks the total cash compensation (base salary plus annual bonus) of senior executives in these organizations. The study also monitors the changing patterns in short- and long-term incentives provided to this group. This year, major executive benefits offered by the Top 100 companies are included in the study, reflecting their increased importance in the executive total compensation package.

Among the highlights of this year's study are:

- The rate of increase in chief executives' and other key officers' total cash compensation slowed considerably, falling to the lowest annual percentage increase since mandatory wage controls were in force in the early 1970s.
- An uneven economy tended to polarize business results, producing clear winners and losers among both the largest industrials and their senior executives. For example, the median increase in the pay of the CEOs of the 42 Top 100 companies whose profits increased was more than three times that of the CEOs of the 50 Top 100 companies whose profits declined.
- Incentive Stock Options continued to increase in popularity as a long-term award for executives.
- Golden parachute agreements became more prevalent despite the controversy surrounding their use.
- ERISA Excess Plans to supplement qualified retirement plans became more widespread, reflecting the new, lower limits imposed on qualified plans.

*almost identical to the *Fortune* listings (May 1983), exceptions noted on pages 19 and 20

PROFILE OF THE SURVEY GROUP

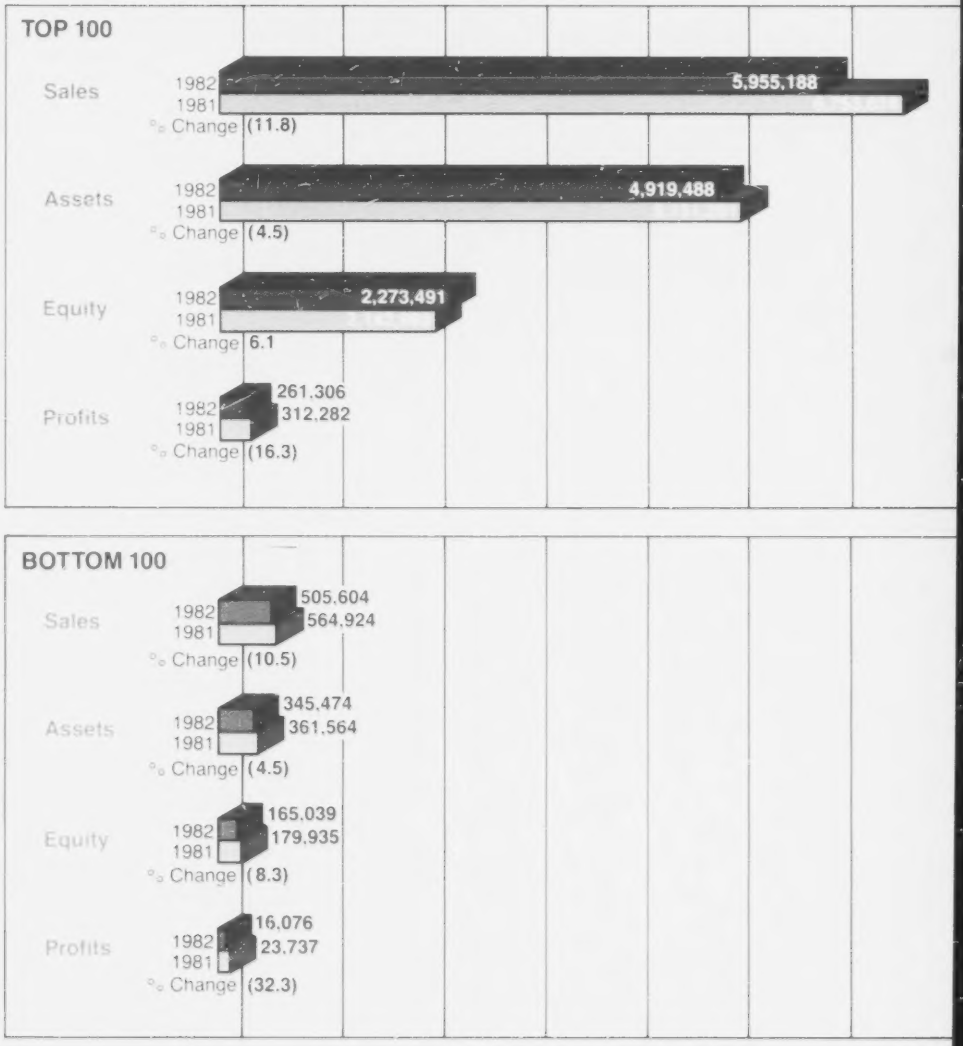
The Companies

The recession took its toll on the survey companies, resulting in the largest percentage decrease in median sales and profits TPF&C has observed since issuing our first annual survey of executive compensation in 1967. Moreover, both median sales and profits sank below 1980 dollar levels. Among the Top 100, only 42 companies – compared with 63 the year before – reported increased profits. Fifty-eight others reported profit declines, with eight of these indicating net losses.

There was a 10% turnover among the Top 100 between this study and the last. High-technology firms, buoyed by the exploding demand for computer-related products, led the list of organizations that replaced a number of smokestack companies in this year's lineup. In the Bottom 100, the turnover was a whopping 39%. The companies moving in and out of this group represented a broad cross section of industries and reflected the economy's uneven pattern of prosperity and decline.

EXHIBIT 1

Financial Statistics Median ($000)



The CEOs

TPF&C *Compensation Data Bank* studies have shown that executive pay is frequently affected by the experience and personal characteristics of the incumbent. The typical Top 100 chief executive has always tended to be slightly older, with more years of service and more time in the position, than his typical Bottom 100 counterpart. Last year, this continued to hold true for age and service, but interestingly enough, the median time in position of Bottom 100 CEOs exceeded that of Top 100 chief executives.

EXHIBIT 2

CEO Personal Statistics

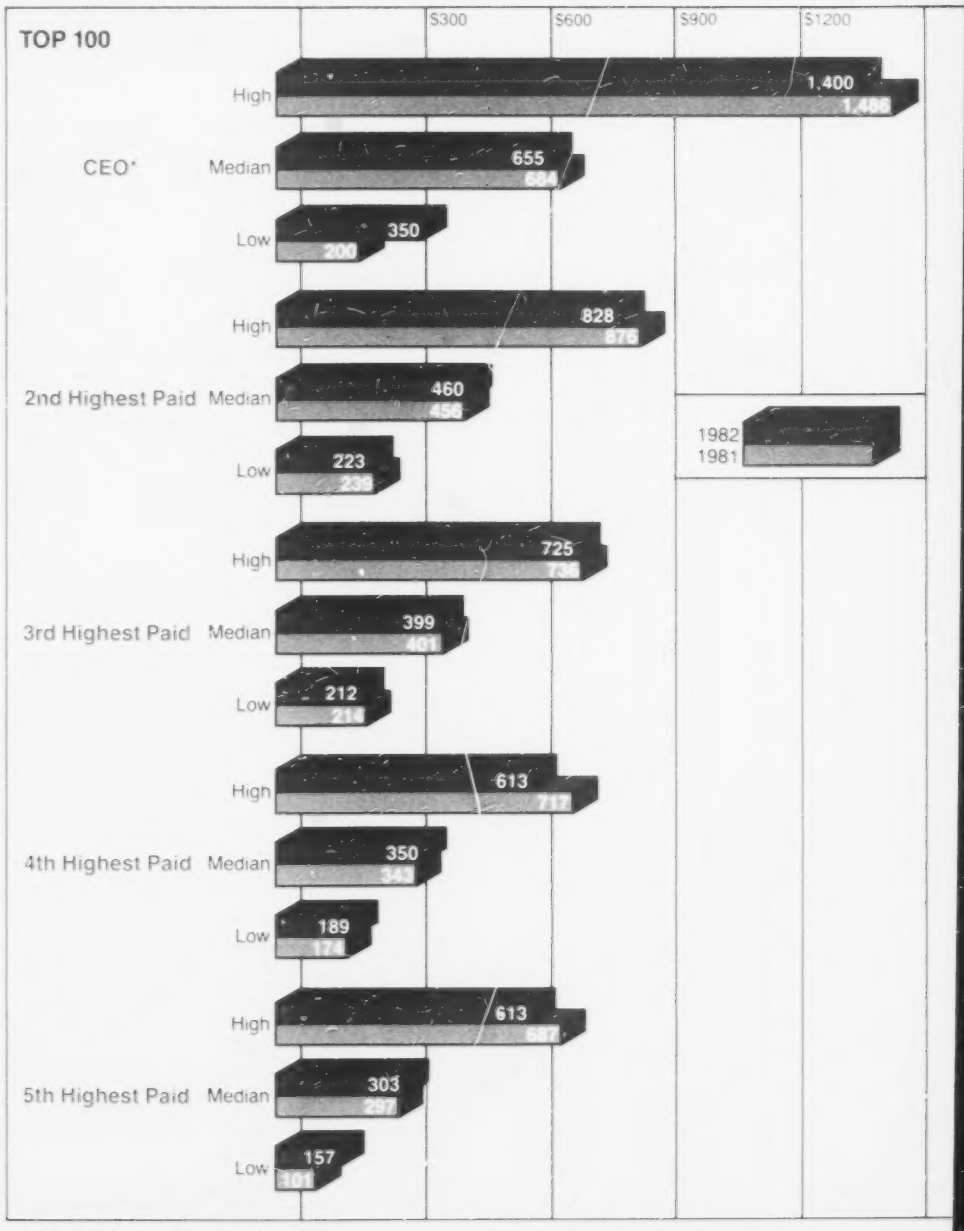
TOTAL CASH COMPENSATION

Executive total cash compensation typically comprises base salary and an annual bonus award. The influence of profit results upon total cash compensation levels last year was particularly striking:

- In the 42 Top 100 companies with increased profits, the median pay increase for CEOs was 11.6%, bringing median total cash compensation for this group to $771,160. In the 41 Bottom 100 companies with increased profits, the median total cash compensation for CEOs rose 15.1%, to $348,538. This increase in many instances reflected both profit growth and significant sales growth that moved the companies into the Top 500 for the first time.
- Among the 50 Top 100 companies that sustained profit declines, the median increase for CEOs was only 2.8%, bringing median total cash compensation to $647,083. In the 47 Bottom 100 companies with decreased profits, median total cash compensation for CEOs declined 2.1%, to $296,362.

EXHIBIT 3

Total Cash Compensation Statistics ($000)

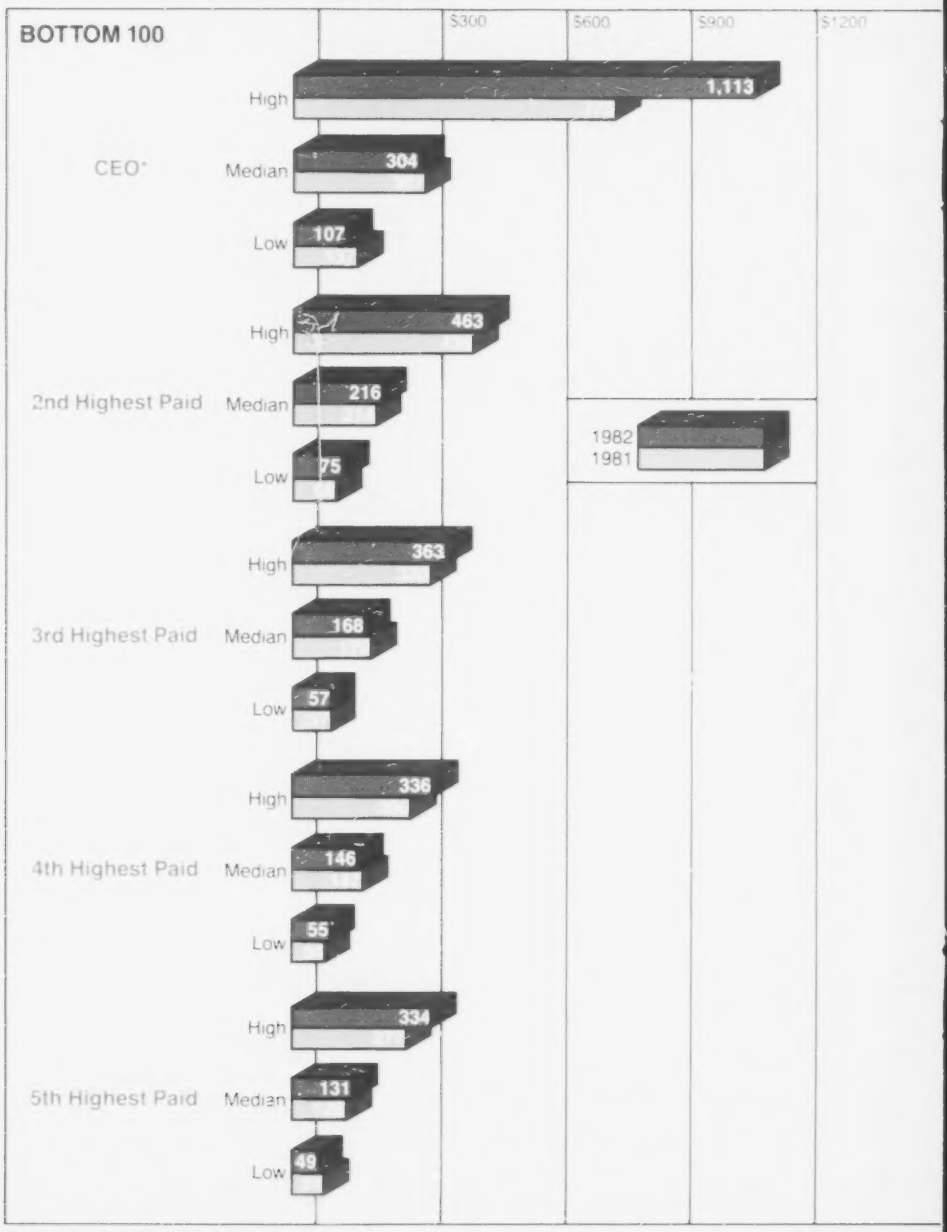


*CEO is not always the highest paid.

- Eight Top 100 companies suffered losses in 1982. The median total cash compensation for CEOs in this group declined 26.1%, to $442,919. Although seven of the eight companies provided for bonuses, only one company granted its CEO such an award.
- In the Bottom 100, 12 companies reported net losses and median total cash compensation for CEOs in this group fell 4.2%, to $260,004. Ten of the 12 companies had bonus plans for their executives. However, six companies reported no bonus payment to the CEO last year, and the total cash compensation reported for the CEOs of the other four companies showed declines in pay, suggesting no bonus payments or drastically reduced awards.

EXHIBIT 3 (cont.)

Total Cash Compensation Statistics ($000)



*CEO is not always the highest paid.

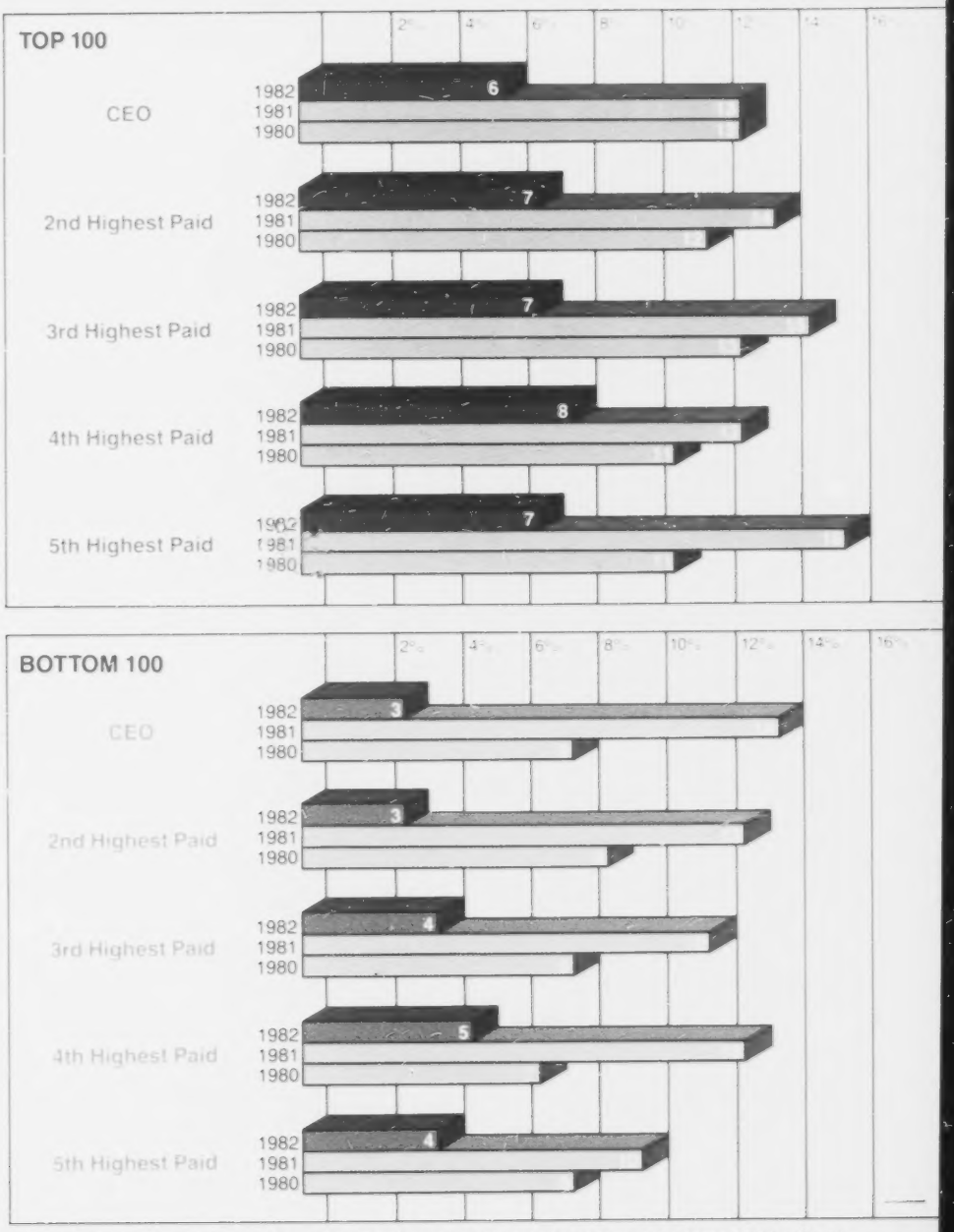
Increase in Cash Compensation

The median increase in total cash compensation for executives who occupied the same position for at least two consecutive years dropped to the lowest level since the early 1970s when mandatory wage controls were in effect. In all cases, median increases last year were in single digits.

For example, CEOs in the Top 100 had a median increase of 6% compared with 13% in the previous year. Comparable figures for the Bottom 100 CEOs were 3% and 14%.

EXHIBIT 4

Percentage Increase in Total Cash Compensation for Incumbents*



*These median increases were determined for those executives who occupied the same position for at least two consecutive years.

Salary/Bonus Mix

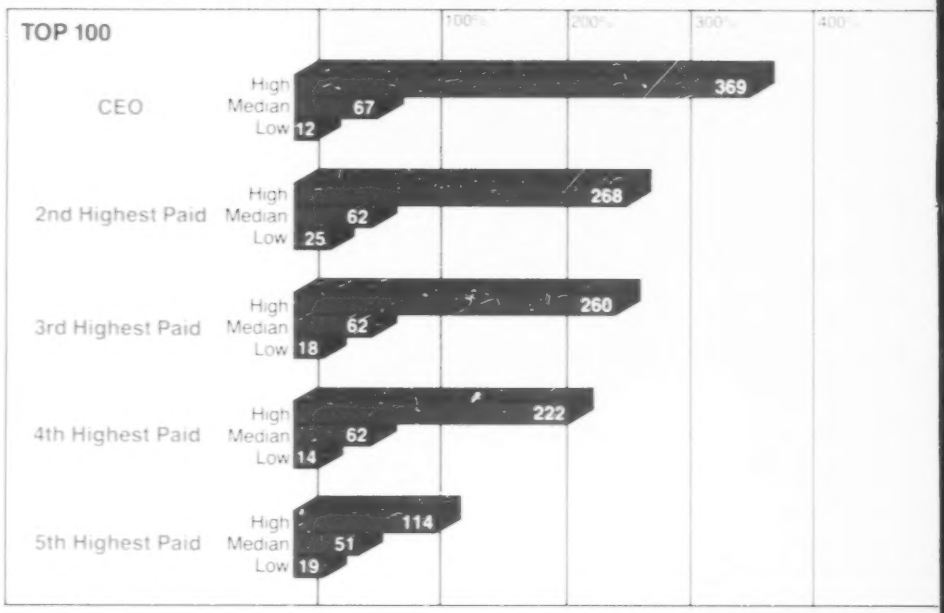
Forty-seven Top 100 companies and 33 Bottom 100 companies reported salary and bonus figures separately. Although 24 of these companies omitted bonus awards last year, the mix between salary and annual bonus amounts in the total compensation packages provided by the remaining 56 companies followed the patterns uncovered by the detailed general industry findings of TPF&C's *Compensation Data Bank*.

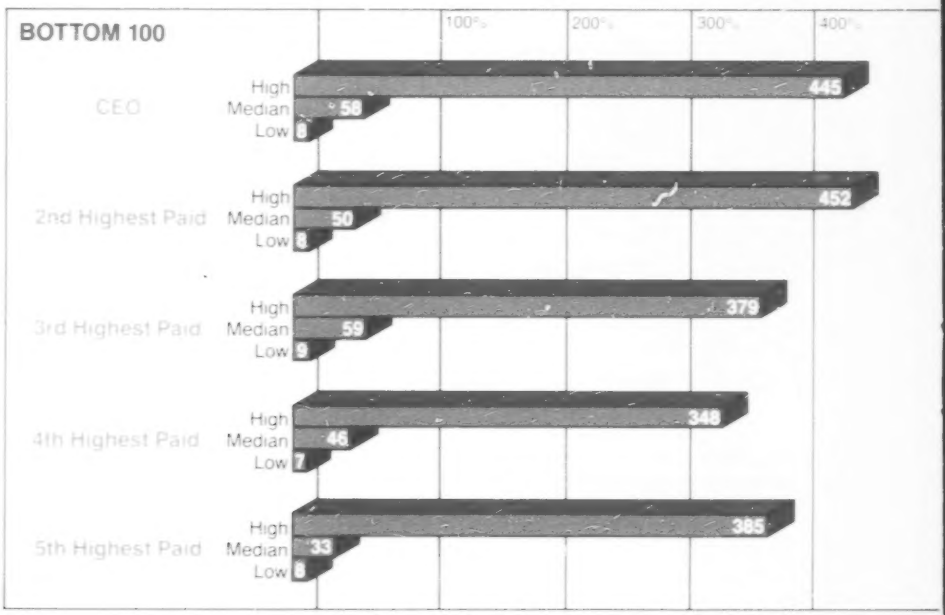
TPF&C also tracked the cash compensation of 59 CEOs (38 in the Top 100 and 21 in the Bottom 100) who occupied their positions over a two-year period. We found that:

- Salaries increased for 54 CEOs; they remained the same for five.
- Bonuses increased for 24 CEOs; they were unchanged for 12, and decreased for 23.
- Total cash compensation increased for 40 CEOs; it was unchanged for two, and decreased for 17.
- Only 22 CEOs received increases in both salary and bonus; 17 of these were in Top 100 companies.

EXHIBIT 5

Bonus as a Percentage of Base Salary





EXECUTIVE CONTRACTS

The number of unsolicited tender offers that occurred between 1980 and 1982 prompted even some of the largest industrial companies to grant their chief executives and other key employees what have come to be known as "golden parachutes." These contracts provide protection from arbitrary dismissal resulting from a change in company ownership. Most corporate directors believe that such protection is as valid as that afforded by medical and disability plans. Other proponents of golden parachutes contend that the contracts deter unwanted suitors, help management retain objectivity when evaluating takeover proposals, keep needed executives on board when takeovers are pending and render a company competitive in recruiting executive talent.

An advisory committee appointed by the Securities and Exchange Commission (SEC) recently filed a report on tactics used during tender offers that included an examination of golden parachutes. The report recommended that companies disclose the terms of and parties to these contracts in their annual proxy statements and that shareholders be permitted to vote at each annual meeting, on an advisory basis, on whether the company should continue to provide them. The report also recommended that companies be prohibited from adopting golden parachutes once a tender offer has been made.

Eleven Top 100 companies in our last study offered golden parachutes. Two of the 11 companies are not in this year's Top 100, but they have been replaced by firms that also have golden parachutes. One other company apparently eliminated its golden parachute with the adoption of measures designed to prevent abrupt changes in board control that usually are associated with hostile takeovers. Two others adopted golden parachutes, increasing the total of companies with such arrangements to 12. Within the Bottom 100 – a group of companies more likely to be takeover targets – executives at 24 companies had golden parachutes, an increase of seven from the year before.

Comprehensive employment contracts, with or without deferred compensation arrangements, are again being used by many companies. Thirty-five of the Top 100 provided at least one of their top-paid executives with such a contract. Six firms limited contracts to their CEOs. Of the 500 Top 100 executives included in our study, 77 were covered by executive contracts. Within the Bottom 100, 47 companies provided employment contracts, 10 to the CEO only. A total of 111 of the 500 executives in this group were covered by these contracts.

Other TPF&C studies confirm this trend in the use of executive contracts. It seems clear that executives are increasingly demanding employment agreements and compensation guarantees from their new employers as part of the inducement to change jobs.

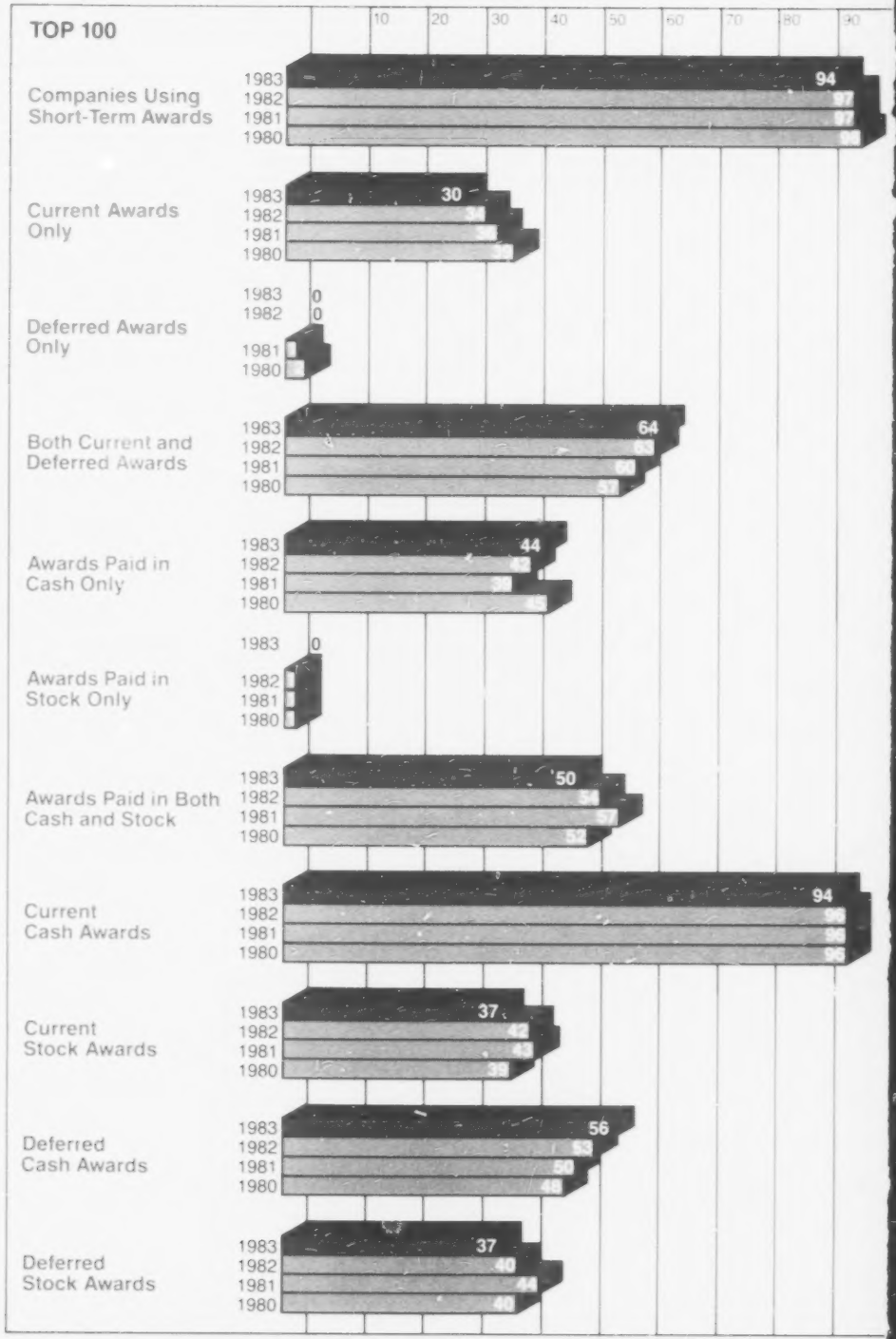
INCENTIVE COMPENSATION TECHNIQUES

Overall, 94 Top 100 and 83 Bottom 100 companies reported the use of both short- and long-term incentives, closely tracking the previous year's patterns. Although not evident from proxy statements, many of these companies have been reevaluating eligibility requirements for incentive plan participation. Annual plans that reward for specific job performance are being redesigned and, in some cases, extended to broader management groups than in the past. At the same time, many companies are restricting participation in long-term plans to a select group of executives whose activities affect the future success of the firm. Thus, the two-tiered approach to incentive pay eligibility is becoming increasingly pronounced. A detailed picture of the types of awards provided by the Top 100 companies appears on page 18.

Clearly, in response to economic pressures many organizations are closely monitoring all of their compensation practices. This scrutiny is likely to take executive compensation in some new directions. For example, TPF&C has assisted many companies in designing and implementing strategic compensation plans that relate executive pay more closely than ever before to key business performance measures. These have included cash management, real rate of return on investment, productivity and return on equity, as well as the accomplishment of specific milestones in the strategic plan.

EXHIBIT 6

Summary of Short-Term Incentive Trends



In Short-Term Incentives...

Annual Awards

The number of Top 100 companies providing for annual awards decreased slightly last year, to 94 from 97. This decline stems from the change in the composition of the group rather than from changes in company practice. In the Bottom 100, the number of companies offering annual awards remained unchanged at 86, despite the even larger change in the makeup of that group.

Special Executive Needs

More and more companies, sensitive to their executives' tax situation and personal financial goals, are permitting their highly paid people to defer awards voluntarily. Last year, three more Top 100 companies, for a total of 56, and four more Bottom 100 companies, for a total of 24, allowed executives to defer cash awards. A total of 37 of the Top 100 and nine of the Bottom 100 companies permitted deferral of stock awards. No company *required* complete deferral. Moreover, 29 Top 100 and nine Bottom 100 firms offered financial planning assistance as a perquisite, thus providing professional counsel in evaluating voluntary deferred compensation options.

EXHIBIT 6 (cont.)

Summary of Short-Term Incentive Trends

In Long-Term Incentives...

☐ **Incentive Stock Options (ISOs)**

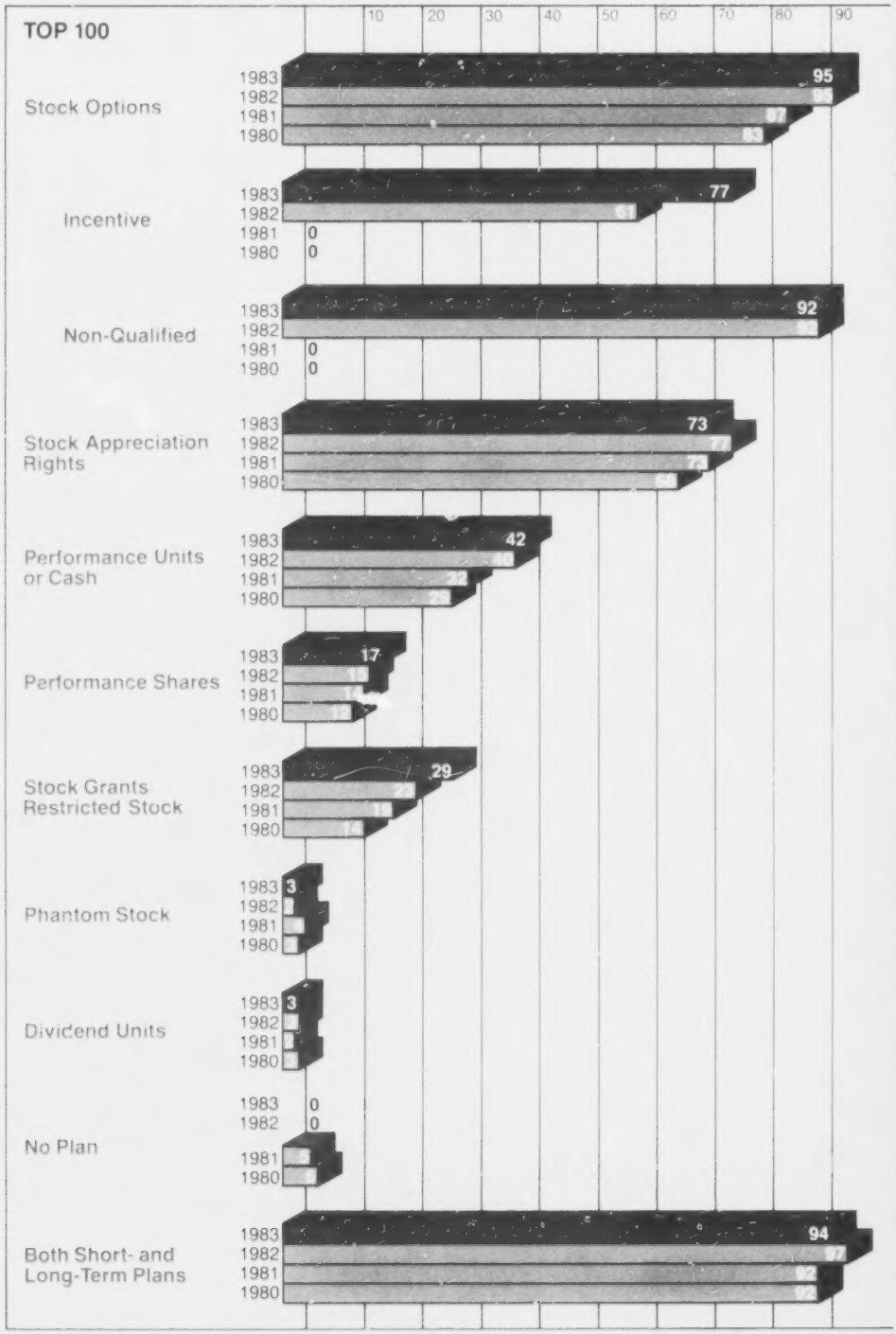
Sixteen more Top 100 companies, for a total of 77, and 21 more Bottom 100 companies, for a total of 75, added ISOs to their executive compensation packages since our last study. Although the special tax treatment ISOs receive is generally attractive to the executive, the company gives up the tax deduction that would be available with non-qualified stock options. TPF&C studies show that despite the difference in the aftertax gain to the executive and the loss of the corporate tax deduction, companies tend to grant executives the same number of shares under ISOs as they do under non-qualified stock options.

☐ **Stock Grants and Restricted Stock**

Many companies are using stock grants and restricted stock to reward individual performance at lower organizational levels than in the past. The importance of this fact should not be dismissed by compensation planners, as it may mark the beginning of a trend in recognizing and retaining superior performers below the executive level.

EXHIBIT 7

Summary of Long-Term Incentive Trends



Stock Appreciation Rights (SARs)

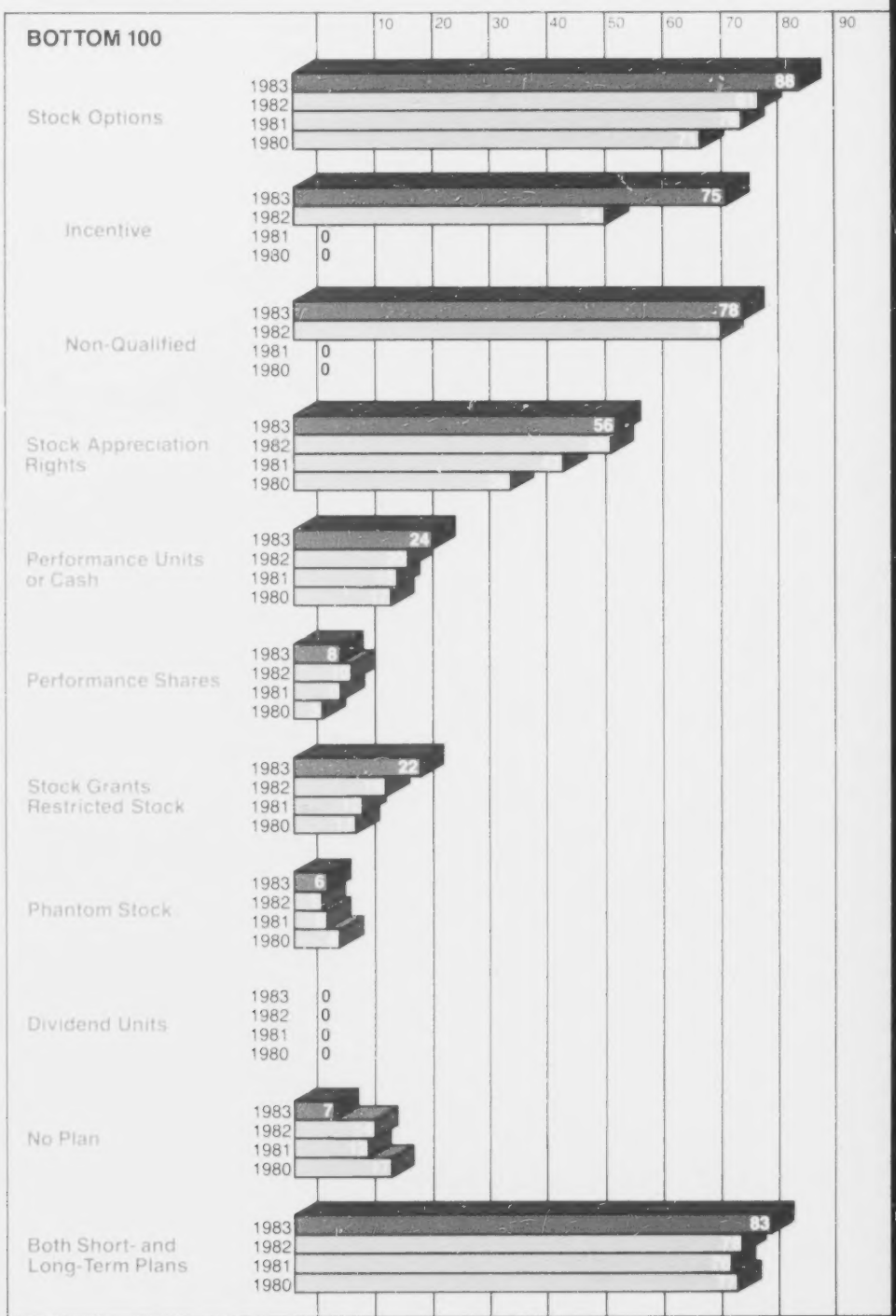
Although no company has canceled an existing SAR, this year's Top 100 study shows somewhat fewer SARs among the survey companies than last year's study. This, again, results from the turnover in the group. However, the change in tax law, shifting the date of taxation to the end of the six-month holding period for insiders who exercise non-qualified options, may have reduced the need for SARs.

Stock-for-Stock Swaps

More companies reported provisions that permit options to be exercised by using previously acquired stock as payment. However, as a result of the *Colema* decision in the Federal courts, the SEC has indicated that insider trading protection provided under Rule 16b-3 of the Securities Exchange Act of 1934 will apply only if a company has shareholder approval or seeks it at the next shareholder meeting. Therefore, many companies that added the stock-for-stock technique under prior SEC guidelines have suspended these provisions until shareholder approval is secured.

EXHIBIT 7 (cont.)

Summary of Long-Term Incentive Trends



EXECUTIVE BENEFITS

TPF&C views benefits and pay as interrelated elements of total compensation. Most benefit plans serve both to supplement cash compensation and to reinforce its role in motivating and rewarding executives. Although traditional employee benefit programs are still the principal source of executive benefits, special plans are common among the Top 100 companies.

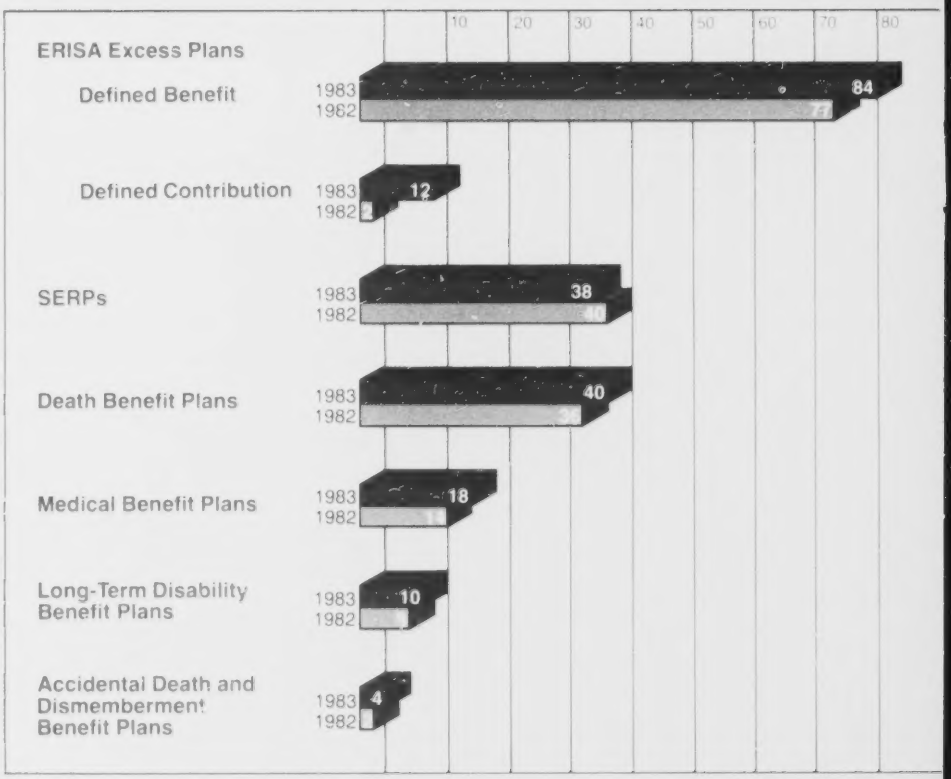
ERISA Excess Plans replace the benefits or contributions that employers cannot provide under qualified retirement plans because of statutory dollar limits. The sharp increase in the number of ERISA Excess Plans reported in this study reflects new, lower limits imposed by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

SERPs – supplemental executive retirement plans – typically provide extra benefits for short-service executives or upon early retirement. Some offer additional pension amounts related to pay not covered by the regular retirement program. The modest decline in the number of SERPs reported this year reflects changes in the survey group, not in the popularity of the plans.

With non-qualified plans providing an increasing share of executive retirement benefits, the security of these benefits has become an issue. As a result, we expect more companies to turn to such innovative devices as non-qualified trusts to fund these pension promises.

Although special plans providing medical, death and disability benefits for executives are less common than deferred compensation plans, they may be more prevalent than statistics show, a consequence of differing interpretations of proxy disclosure requirements.

EXHIBIT 8
Executive Benefit Plans – Top 100



Retirement Income Levels

One of the most useful ways of comparing levels of retirement income is to express the benefit as a percentage of final pay (salary plus annual bonus). For 86 of the Top 100 companies, TPF&C's *Employee Benefit Information Center (EBIC)* determined benefits under each company's plan for a hypothetical CEO and one other executive with final pay of $600,000 and $300,000, respectively. Each executive is assumed to retire at age 65 with 30 years of service. EBIC assumed a mix of salary and annual bonus based on the compensation mix reported in the present study and further assumed that these amounts have increased at a compound rate of 10% per year. Retirement income includes Social Security and regular company pensions plus benefits from any ERISA Excess Plan or SERP.

The retirement benefit as a percentage of final pay varied greatly among the 86 companies.* The results become even more striking when the benefits offered by companies with basic plans only are compared with those provided by companies that sponsor ERISA Excess Plans and or SERPs.

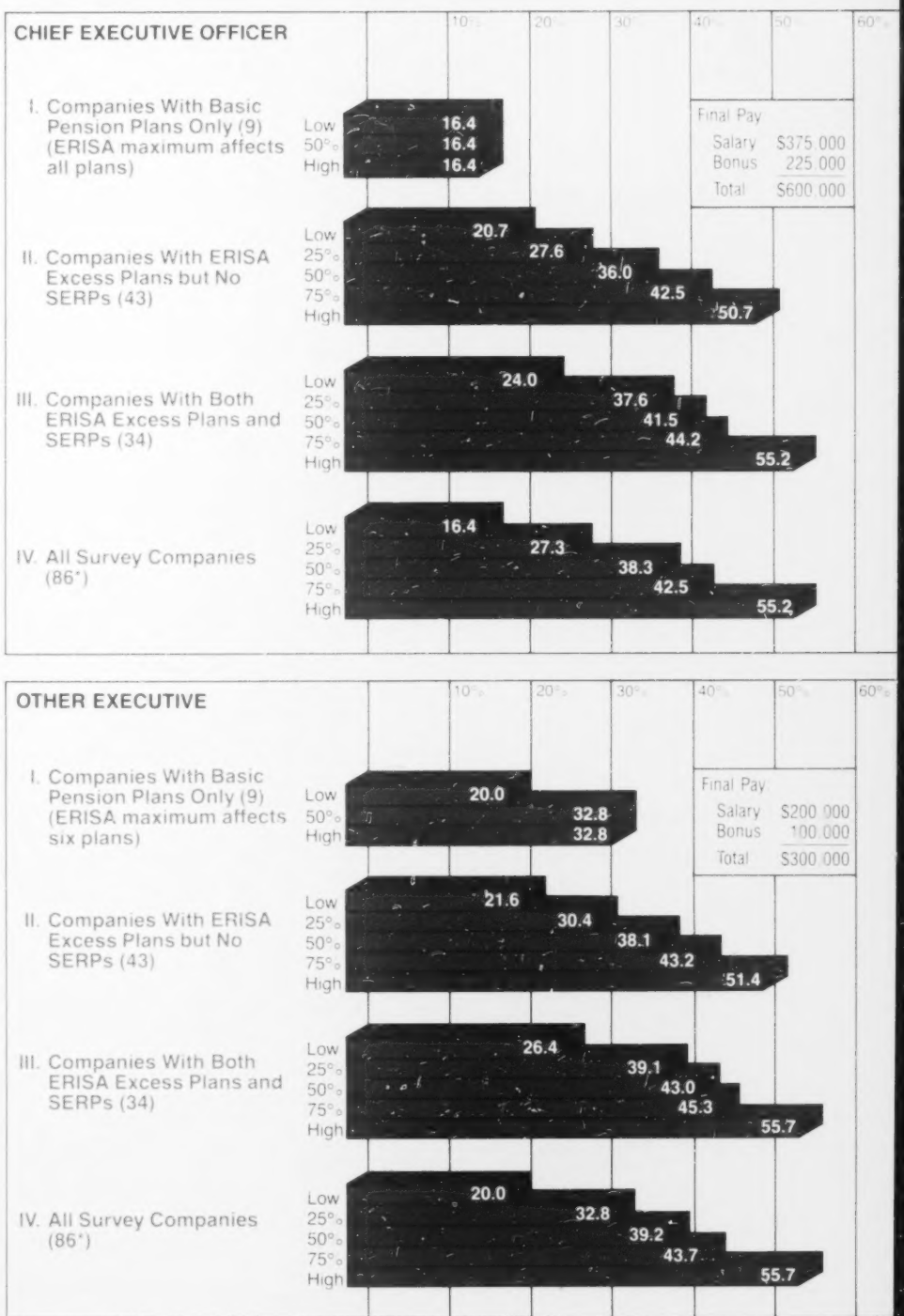
Last year's ERISA maximum limit allowed many employers to continue to meet the promised benefit levels under their basic qualified plans for executives at or near retirement. However, TEFRA's new ceiling, in combination with reasonable projections of pay levels at normal retirement, would limit benefits to our hypothetical CEO in all 86 companies.

Because SERPs typically recognize bonuses and other deferred pay in calculating benefits, companies providing significant amounts of compensation not covered by their underlying qualified plans are well-advised to consider a SERP as a key element in their executive compensation programs.

*Retirement income is usually calculated on an average of several years' pay – say, three or five years. Expressed in terms of final *average* pay, benefits would be greater than shown in the exhibit.

EXHIBIT 9

Retirement Income as a Percentage of Final Pay – Top 100



*Fourteen of the Top 100 companies were excluded due to insufficient data.

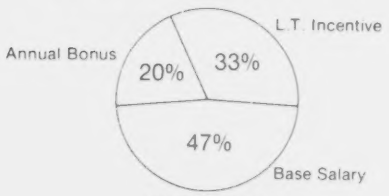
TOTAL COMPENSATION AT A GLANCE

Beyond base salary and the broad-based qualified retirement and medical plans offered to all employees, the elements in the executive compensation package are many and varied. Those most frequently found in the Top 100 are arrayed.

To be sure, compensation planners need to be familiar with more than just the approaches competitors are taking to reward their executives. They must also know the value to the executive of each approach, individually and in combination. To help provide this knowledge, TPF&C recently combined its *Compensation Data Bank* and the *Long-Term Incentive Plan Survey* to produce the first combined valuation of short- and long-term incentive plans.

CDB/LTIP SUPPLEMENTAL REPORT

Competitive Mix of Base Salary, Annual Bonus and Long-Term Incentive



CEO Median

The *CDB/LTIP Supplemental Report* addresses not only the level of base salary and annual and long-term incentive awards, but also the mix of these compensation elements. This innovative approach to executive compensation planning is available to participants in both the *Compensation Data Bank* and the *Long-Term Incentive Plan Survey*.

LEVEL OF CEO PAY

Long-Term Incentive at 11% EPS

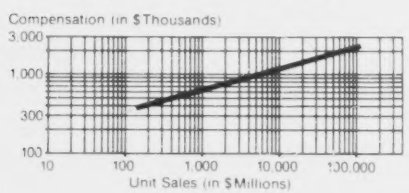


EXHIBIT 10

Prevalence of Major Compensation Elements – Top 100

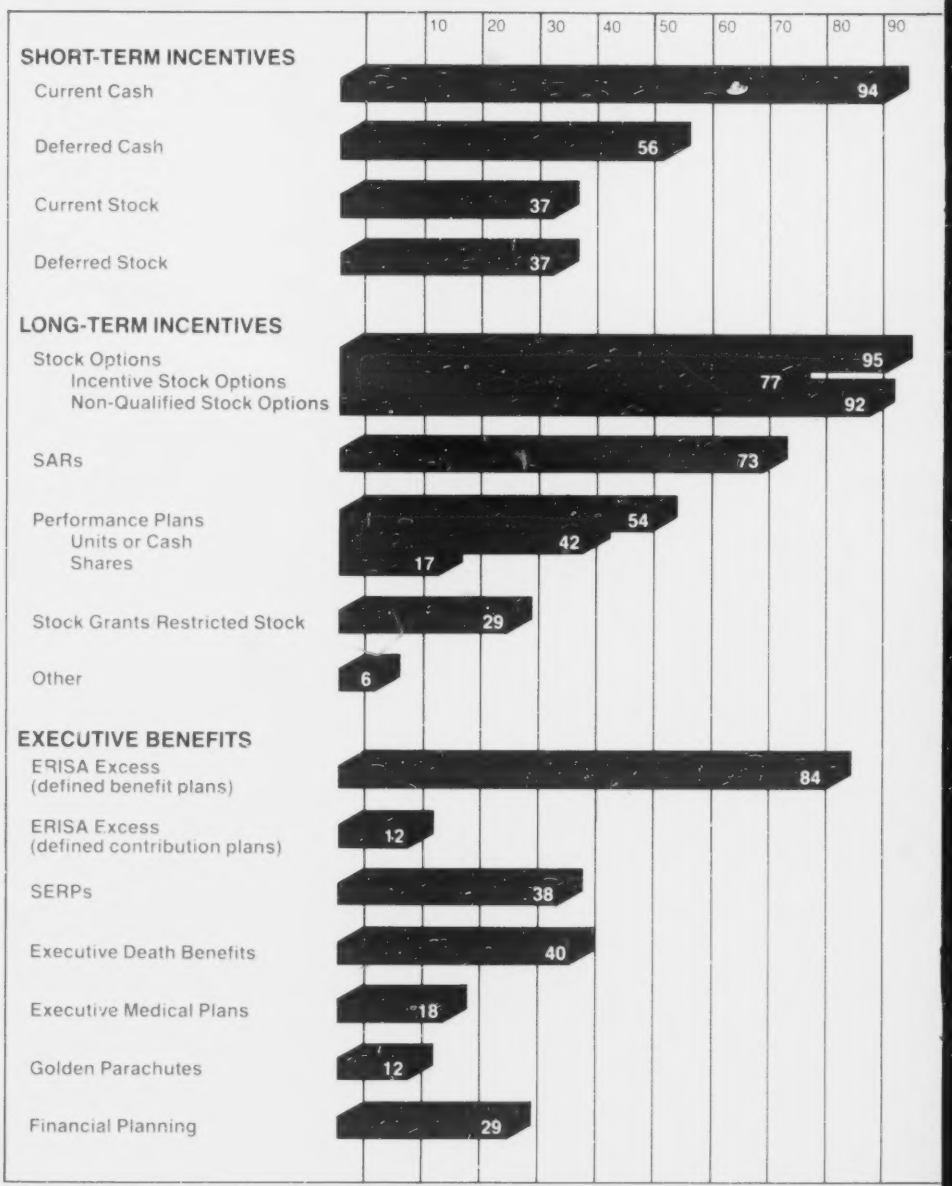


EXHIBIT 11
Definitions of Short-Term Incentives

To ensure consistent interpretation of study results, we define the various short-term awards as follows:

- **Current Cash** – Any award paid in cash either immediately following the close of the year on which the award is based or in installments beginning in that year and continuing for a number of years during active employment.
- **Current Stock** – Any award paid in stock either immediately following the close of the year on which the award is based or in installments beginning in that year and continuing for a number of years during active employment.
- **Deferred Cash** – Any award paid in cash, but not until termination or retirement. The fact that the payment at termination or retirement might be in a lump sum or spread over several annual installments is not considered and does not affect this classification. Similarly, there is no analysis of any increase (e.g., interest payments) in the award amount during the deferral period.
- **Deferred Stock** – Any award made in stock under the short-term incentive plan, but not paid until termination or retirement. The fact that the payment at termination or retirement might be in a lump sum or spread over several annual installments is not considered and does not affect this classification. Similarly, there is no analysis of any increase (e.g., market price gains and or dividend equivalents) in the award amount during the deferral period.

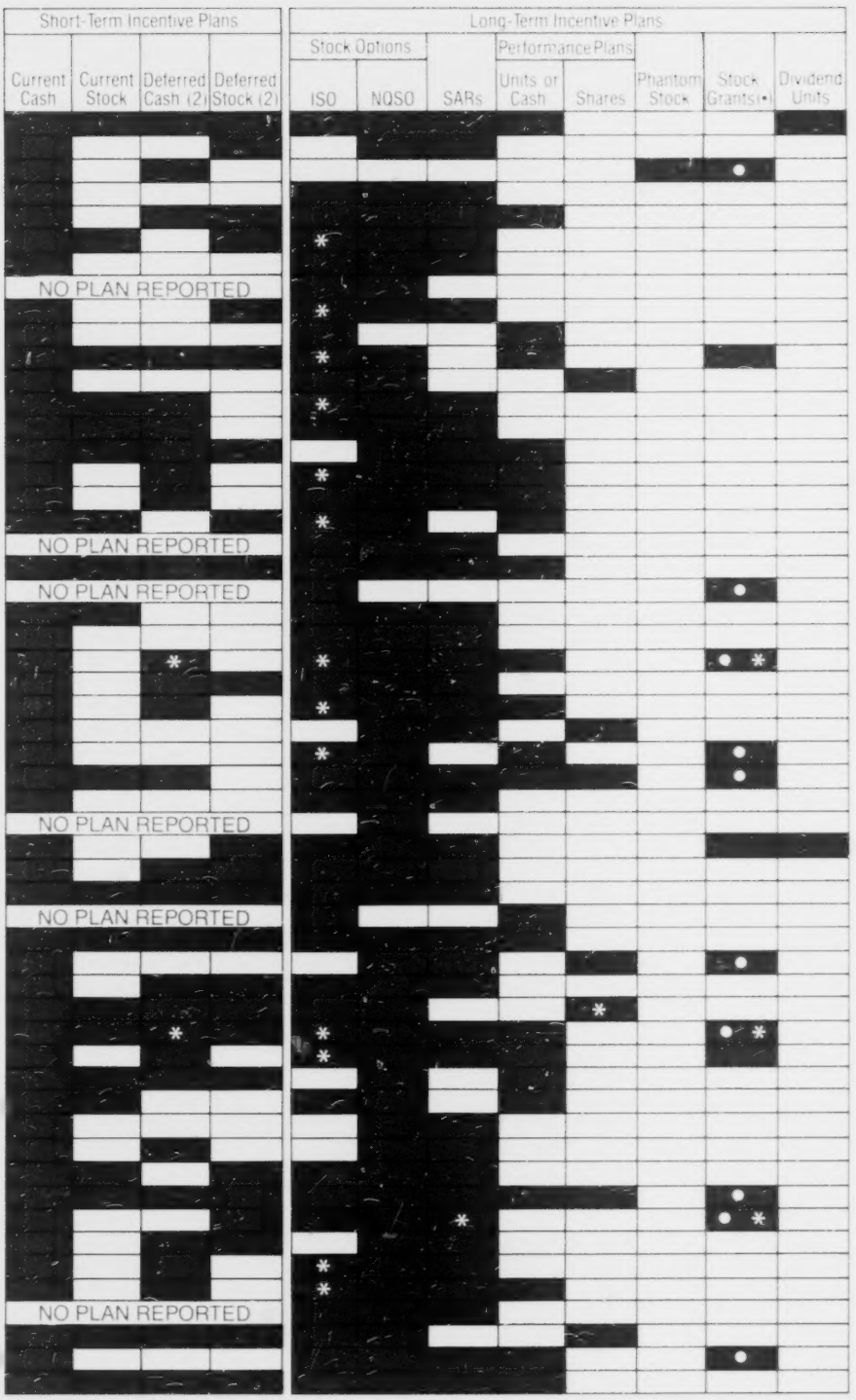
EXHIBIT 12
Definitions of Long-Term Incentives

We define the various long-term awards as follows:

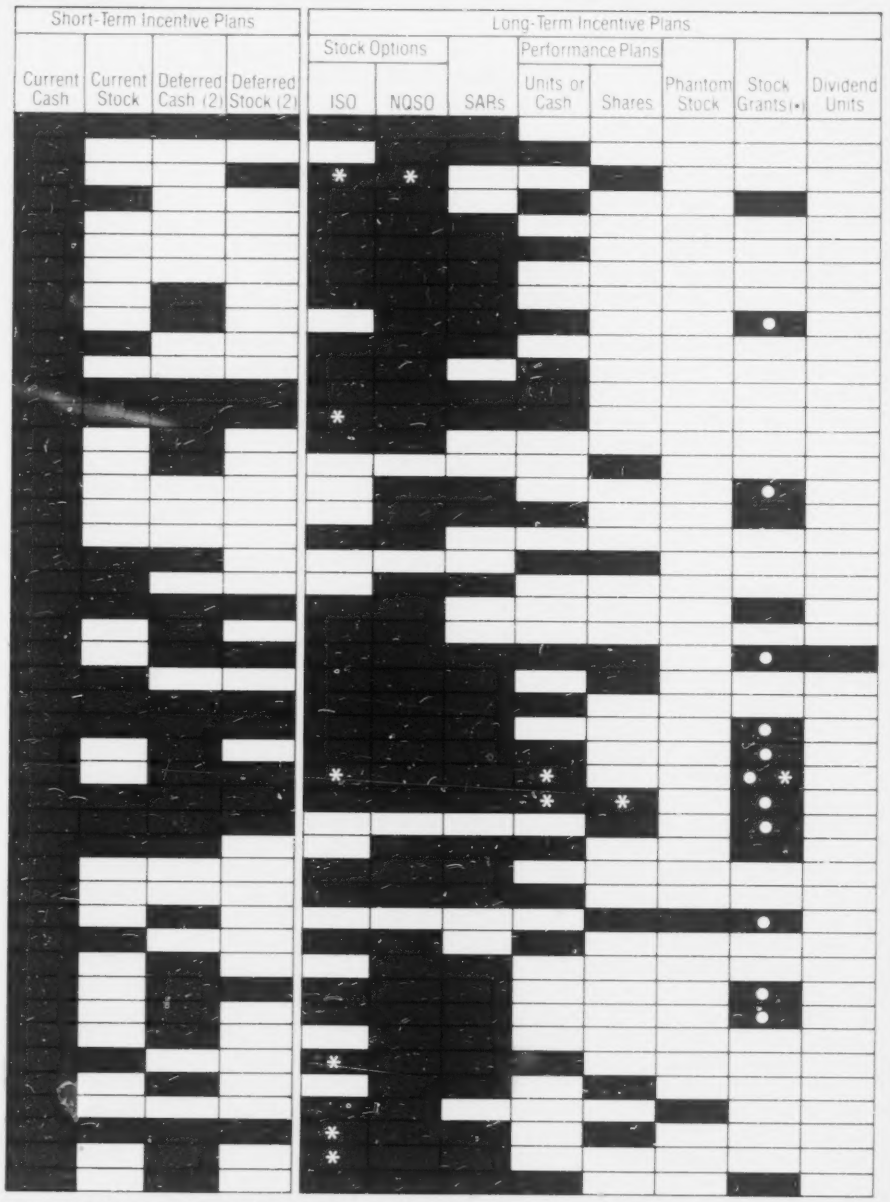
- **Stock Options** – A stock option grant is an opportunity to purchase shares of company stock at a stated price (typically, the current market value at date of grant) during a given period of time, frequently ten years.
  - **Incentive Stock Options** – Options that meet certain requirements of the Internal Revenue Code, thereby receiving special tax treatment. Key requirements include: options must be granted at 100% of fair market value and exercised in the order granted; the exercise period cannot exceed ten years, and stock must be held two years from date of grant and one year from date of exercise. If all requirements are met, the executive does not incur tax at time of exercise and proceeds at sale are taxed as a long-term capital gain. The company does not receive a tax deduction in conjunction with an ISO.
  - **Non-Qualified Stock Options** – Any option to purchase company stock that does not meet the special requirements for an ISO. The executive must pay ordinary income tax at the time of exercise on the spread between the option price and the fair market value on date of exercise. The company receives a tax deduction equal to the amount the executive realizes as income.
- **Stock Appreciation Rights** – A right granted in connection with an option where the executive, in lieu of exercising the option, can receive a payment equal to the amount by which the fair market value of the stock, on the date the option otherwise would have been exercised, exceeds the option price. These payments can be made in cash or free shares of stock having an equivalent value, or a combination of both.
- **Performance Plans** – A contingent award is made that will be earned in whole or in part according to the degree of achievement of predetermined performance goals over a predetermined span of time (usually three to six years). Performance goals are most often stated in terms of earnings-per-share growth, but other measures may be used.
  - **Performance Unit Awards** – Any performance grant expressed as contingent units or a specific cash amount. Units are assigned an arbitrary value and the portion of the award earned is typically paid in cash but may be in shares of stock of equivalent value.
  - **Performance Share Awards** – Any performance grant expressed as contingent shares of stock. The award, to the extent earned, is paid in stock or, alternatively, the employee may receive the cash equivalent of the common stock or a combination of cash and stock.
- **Stock Grants** – Grants of stock at no or nominal cost. In some instances, the stock grant is in the form of restricted stock that is nontransferable and or subject to substantial risk of forfeiture until some special conditions are met. The restrictions are typically designed to lapse over a period of years, based on continuing service.
- **Phantom Stock** – Any award made in units analogous to an actual share of stock where the employee receives, after a period of time, the equivalent of the appreciation in the value of the underlying stock and frequently an amount equal to dividends paid during the period. This sum may be paid out either in cash or in stock.
- **Dividend Units** – Any award made in units analogous to an actual share of stock where the employee receives only the equivalent of dividends paid on shares of the company's stock.

EXHIBIT 13

Short- and Long-Term Incentive Plans in the Top 100 U.S. Industrial Companies (1)



Darker color indicates feature included in plan.



(1) Companies are those ranked by *Fortune* (May 1983). Archer-Daniels-Midland Company, Bristol-Myers Company, Champion International Corporation and H.J. Heinz Company have been substituted for Agway Inc., The Bendix Corporation, Land O'Lakes, Inc. and Western Electric Co., Inc.

(2) "Deferred" awards indicate provision for payout after termination or retirement under the short-term incentive plan or under a separate deferred compensation plan but do not include individual contractual deferred compensation arrangements.

* New feature adopted in 1983.

● Restricted stock.

Please note that this chart reports methods of payment or form of awards for which the companies have made provisions in their plans, but does not necessarily indicate methods of payment or form of awards actually used.

EXHIBIT 14

Alphabetical Listing of Bottom 100* Companies

Amdahl Corporation
American Bakeries Company
American Greetings Corporation
American Hoist & Derrick Company
AMETEK, Inc.
AMSTED Industries Incorporated
Apple Computer, Inc.
The Armstrong Rubber Company
Arvin Industries, Inc.
Bangor Punta Corporation
Barnes Group Inc.
Bausch & Lomb Incorporated
Brown-Forman Distillers Corporation
Butler Manufacturing Company
Carpenter Technology Corporation
The Ceco Corporation
Coleco Industries, Inc.
Cone Mills Corporation
Consolidated Papers, Inc.
Cooper Tire & Rubber Company
Datapoint Corporation
Deluxe Check Printers, Incorporated
Dennison Manufacturing Company
The Dexter Corporation
Diebold, Incorporated
Dr Pepper Company
The Dorsey Corporation
Eagle-Picher Industries, Inc.
Easco Corporation
Echlin Inc.
Federal Paper Board Company, Inc.
Ferro Corporation
Fieldcrest Mills, Inc.
Fleetwood Enterprises, Inc.
Flowers Industries, Inc.
Fort Howard Paper Company
The Foxboro Company
Frederick & Herrud, Inc.
Fuqua Industries, Inc.
Gates Learjet Corporation
Gifford-Hill & Company, Inc.
Handy & Harman
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Harnischfeger Corporation
Holly Corporation
Hoover Universal, Inc.
Hyster Company
Idle Wild Foods, Inc.
Illinois Tool Works Inc.
International Flavors & Fragrances Inc.
Kellwood Company
Kerr Glass Manufacturing Corporation
Liquid Air Corporation
M. Lowenstein Corporation
M A-COM, Inc.
MEI Corporation
Marion Corporation
Masonite Corporation
The Maytag Company
Media General, Inc.
Meredith Corporation
Mohasco Corporation
Moore McCormack Resources, Inc.
Nashua Corporation
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Oak Industries Inc.
Oxford Industries, Inc.
Palm Beach Incorporated
Peabody International Corporation
Phillips Van-Heusen Corporation
H.K. Porter Company, inc.
Prime Computer, Inc.
The Rath Packing Company
Raychem Corporation
Research-Cottrell, Inc.
Revere Copper and Brass Incorporated
A.H. Robins Company, Incorporated
Rohr Industries, Inc.
Roper Corporation
Royal Crown Companies, inc.
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Savannah Foods & Industries, Inc
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Stokely-Van Camp, Inc.
Stone Container Corporation
Tyco Laboratories, Inc.
Tyson Foods, Inc.
United Merchants and Manufacturers, Inc.
Universal Foods Corporation
Warnaco Inc.
Westmoreland Coal Company
Worthington Industries, Inc.
Wm. Wrigley Jr. Company
Wyman-Gordon Company

*Companies are those ranked 401-500 by *Fortune* (May 1983). Some of these companies have recently merged or are not required to file proxy statements with the SEC. Consequently, AMSTED Industries Incorporated, Bangor Punta Corporation, Cone Mills Corporation, Fuqua Industries, Inc. and Kellwood Company have been substituted for Dan River Inc., Georgia Kraft Company, Knudsen Corporation, Sun-Diamond Growers of California and Wisconsin Dairies Cooperative.

ABOUT TPF&C

Towers, Perrin, Forster & Crosby is an international consulting organization specializing in total compensation – pay and benefits – actuarial, communications and other human resource consulting services. Our worldwide actuarial practice is devoted in large measure to helping companies manage the financial aspects of their pension and other employee benefit plans. Through Cresap, McCormick and Paget, a division of TPF&C, we offer general management services in the areas of strategy, organization and management processes.

TPF&C has been actively engaged in advising clients since 1917, and we presently maintain in-depth capabilities in the following fields:

- ☐ executive compensation
- ☐ salary administration
- ☐ sales compensation
- ☐ employee benefits
- ☐ human resource planning and development
- ☐ actuarial services (employee benefits and life and casualty insurance)
- ☐ communications
- ☐ employee statements
- ☐ human resource information management
- ☐ risk management.

We have a professional staff of more than 1,400 and a total staff of more than 2,000. TPF&C's consultants have backgrounds in such diverse fields as business administration, economics, industrial psychology, mathematics, law, industrial relations, communications, engineering and insurance.

To assist us in our client assignments, we maintain our own computer facilities. Our professional research staff studies and analyzes the pay, benefits, labor, management, manpower, organization and communications practices of virtually every industrialized nation in the world. We have offices located in 33 cities in the United States, Canada, Latin America, Europe, Australia and the Far East.

We serve more than 5,000 clients, both large and small, in a broad range of industrial classifications, as well as in the government, education and health service sectors. We have 355 clients among the *Fortune* 500 industrials, more than 90 of which are in the Top 100. Our international clients include major national and multinational organizations with headquarters in North America, Europe, the Middle East, the Far East, Australia and Latin America. We have completed consulting assignments involving client operations in more than 90 countries. TPF&C has served more than 150 clients for 25 years or more, and more than 200 clients for 15 to 25 years.

TPF&C Total Compensation Services

TPF&C's *Compensation Data Bank* provides annual surveys for participating companies, evaluating base salary, total cash compensation and base salary midpoints. CDB also sponsors a special biennial survey of long-term incentive plans that permits comparison of different types of awards.

The *Compensation Determination Service* provides analysis of pay policies and practices, and uses multiple regression models to identify factors in pay differentials that cannot be attributed to variances in job content.

The *Employee Benefit Information Center* maintains a current, comprehensive computer base of information that enables organizations to compare their benefit plans with those of other organizations.

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1984 EXECUTIVE COMPENSATION STUDY

THE INDUSTRIAL 100 AND
THE SERVICE 100

TPE&C

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TPF&C EXECUTIVE COMPENSATION STUDY

TPF&C's annual study of executive compensation tracks the total compensation (base salary plus annual incentive) of senior executives in the country's largest companies, traditionally the 100 largest U.S. industrials.* The study also monitors the changing pattern of short- and long-term incentives and benefits provided to this executive group.

Because 68% of all nongovernment workers are now employed in service businesses, we have broadened this year's study to include 100 companies in the U.S. service sector.** The Service 100 is divided into five categories: Diversified Services (20 companies), Commercial Banking (25 companies), Diversified Financials (20 companies), Retailing (15 companies) and Transportation (20 companies). The sample includes the largest companies in each industry segment as well as representative companies from the middle rankings.

*almost identical to the *Fortune* listings (April 1984)
**selected from the *Fortune* Service 500 (June 1984)

Among the observations arising from the study are:

- The median increase in the cash compensation of incumbent chief executive officers was 12%, double the 6% figure recorded for Industrial 100 CEOs in the previous year.
- Shareholders reaped rewards as well — 1983's median total return on annual shareholder investment (price appreciation plus dividends) was 23.6%. For both the Industrial and the Service 100s, last year's results greatly exceeded the median annual return over the previous ten years.
- Executive compensation packages — salary, annual and long-term incentives and employee benefits, supplemented by executive benefits and perquisites — focused heavily on the variable elements (annual and long-term incentives), with the long-term portion providing the potential for the greatest gain.
- The rising stock market prompted renewed interest in executive stock ownership, with companies seeking to reinforce the links between executive rewards and shareholder gains.
- The use of new performance indicators in incentive plan formulas attracted attention as companies looked for techniques to measure accurately management's impact on long-term shareholder value. These value-based compensation systems go beyond traditional earnings growth ratios in selecting measurement criteria; rather, they combine such indicators as "real" rates of return on investment and growth to attempt to determine changes in shareholder value.
- Congress took a step toward regulating private sector pay with the Deficit Reduction Act of 1984, establishing strict guidelines and penalties for "excessive" golden parachute payments. This action could have a long-range effect on executive compensation programs.

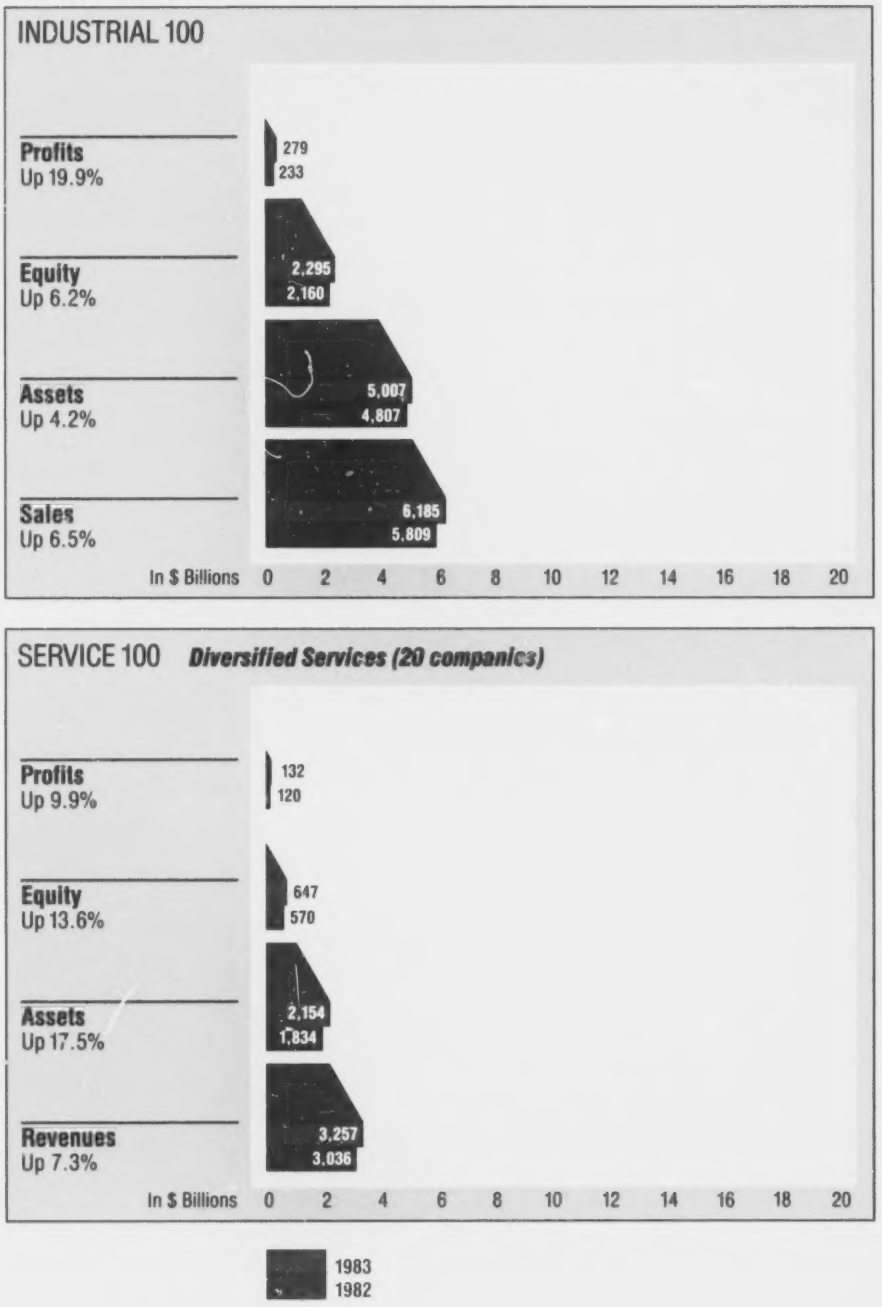
PROFILE OF THE SURVEY COMPANIES

The economic recovery benefited many of the survey companies – notably, automobile and related-products manufacturers in the Industrial 100 and retailers in the Service 100.

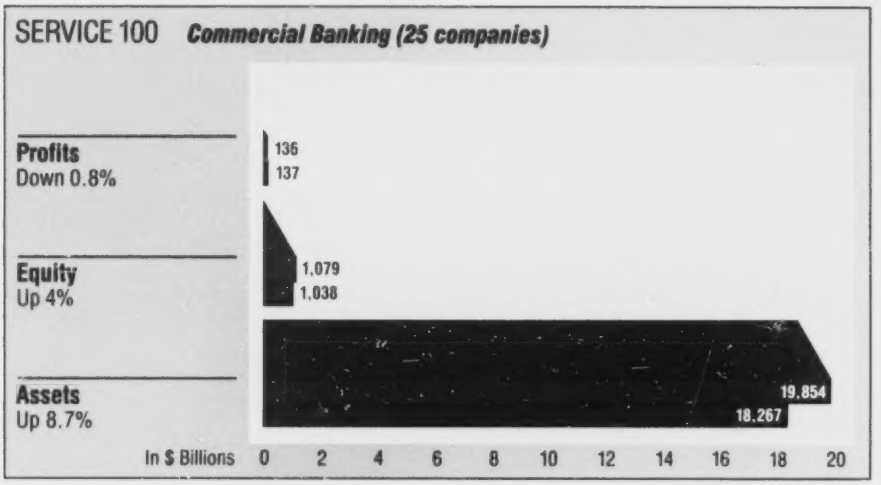
Among the Industrial 100, 63 companies reported profit increases, compared with 42 the year before. Thirty-four others reported profit declines, with seven of these recording net losses. The remaining three companies operated at a net loss for the year, but their results improved somewhat over 1982's.

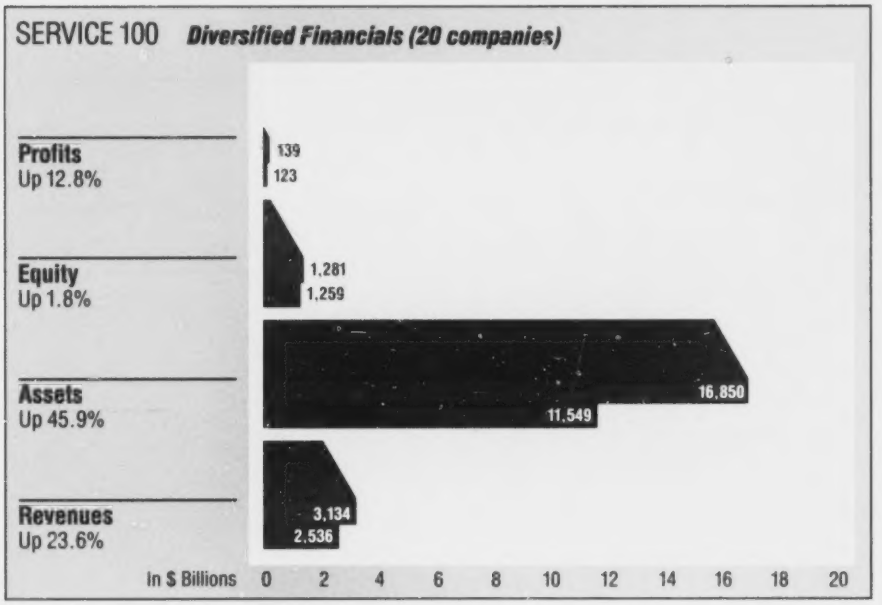
The recovery was particularly strong in the Service 100, with 72 organizations reporting profit increases and only 19 reporting declines. Of the nine Service companies that finished the year with net losses, seven were airlines in the troubled Transportation sector. Key statistics for both sectors appear in *Exhibit 1*.

Financial Statistics Median ($000,000) ***Exhibit 1***

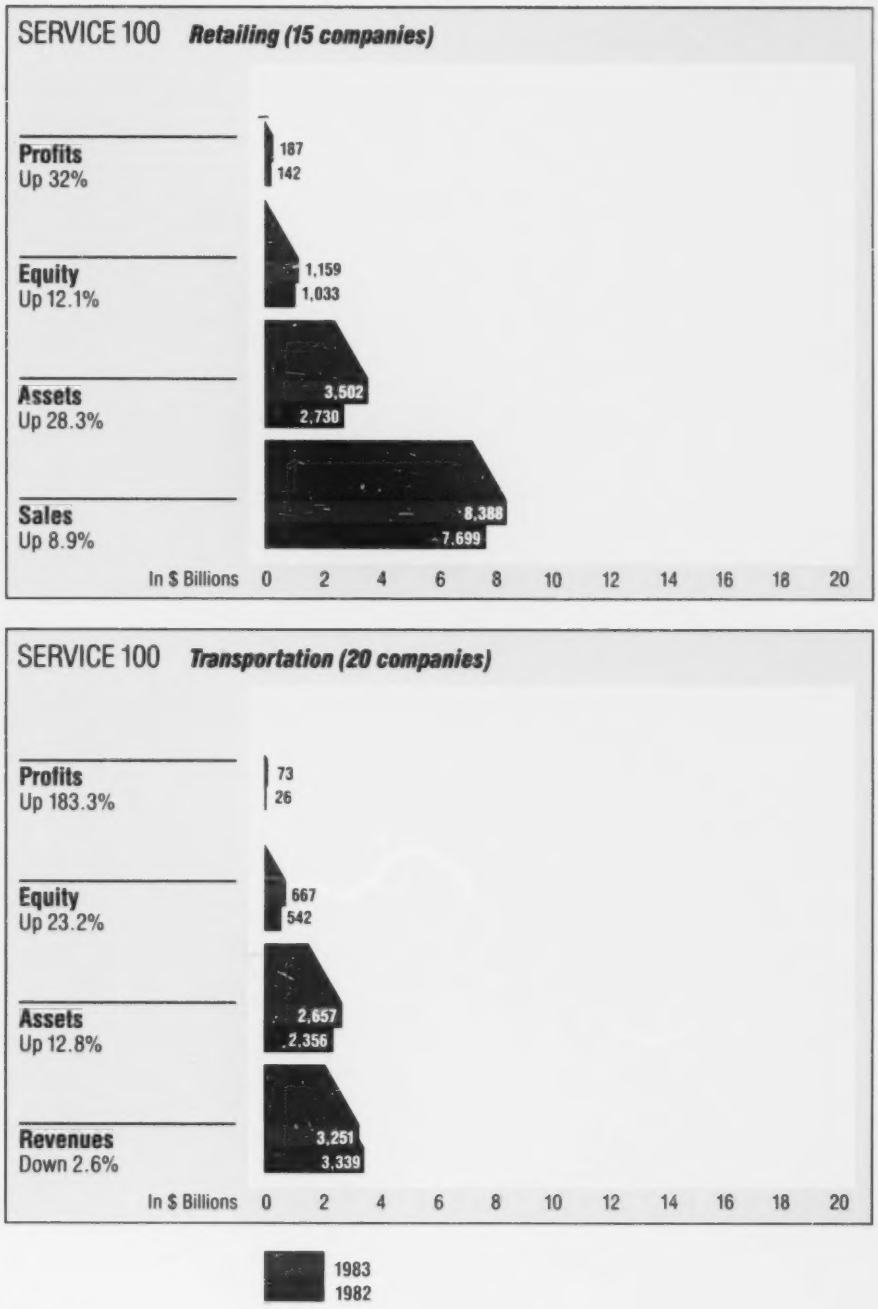


Financial Statistics Median ($000,000) ***Exhibit 1*** (Continued)





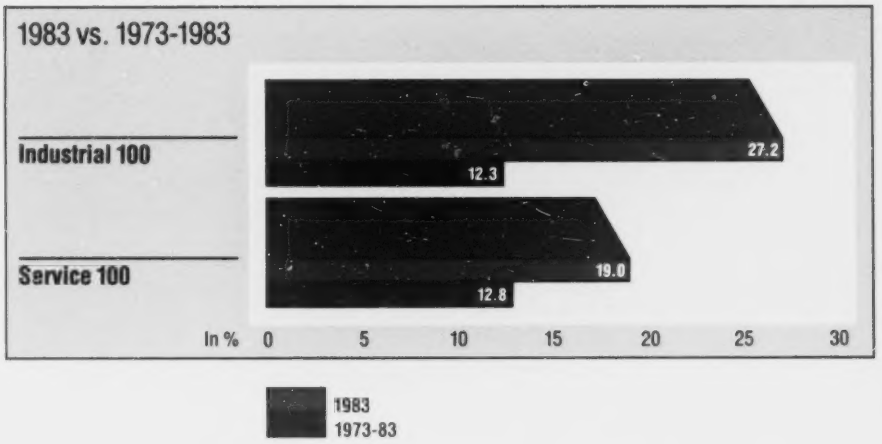
Financial Statistics Median ($000,000) ***Exhibit 1*** (Continued)



The median total annual return on shareholder investment — share price appreciation plus total dividend yield — was 23.6%* for the entire survey group. Both sectors reported significant gains, with the biggest jump in the Industrial sector *(Exhibit 2)*.

*as reported by *Fortune*

Median Total Annual Shareholders Return ***Exhibit 2***



Base salaries remain the cornerstone for ensuring that executive pay is competitive. Broad-based employee benefits complement cash compensation, and supplemental executive benefits address the specific needs of senior management. Annual incentives reward executives for achieving targeted financial results and meeting critical goals in support of the company's long-range plans and strategies. Long-term incentives, including stock options and performance plans, are designed to align executive and shareholder interests. Last year, 96% of the Industrial 100 and 89% of the Service 100 included both annual and long-term incentives in their executive pay packages.

Data from this study, along with research results from the Long-Term Incentive Plan Study of TPF&C's Compensation Data Bank, allowed us to quantify the relationships among the survey companies' key elements of pay. The pie chart in *Exhibit 3* illustrates the mix of these elements in the CEO's total executive compensation package.

As the chart shows, the variable elements in total accounted for more than half of total compensation. Moreover, the long-term element was larger than the annual incentive element, reflecting the corporate concern with long-term performance. These findings suggest that the survey companies' compensation plans, particularly the long-term plans, can promote a strong relationship between executive rewards and company performance.

Total Compensation Mix CEO Median

Exhibit 3

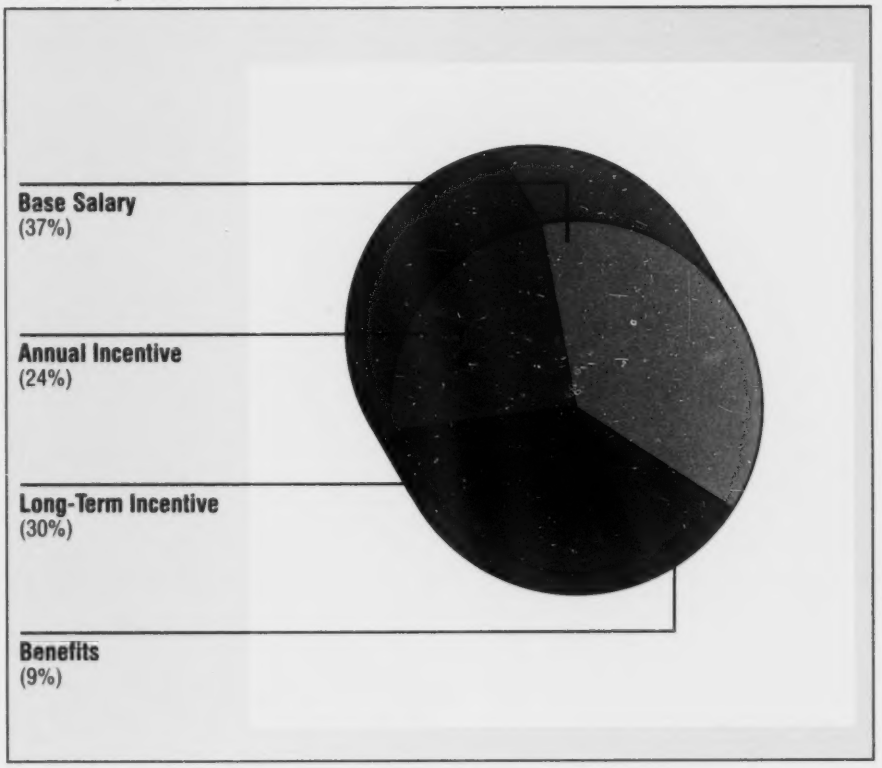
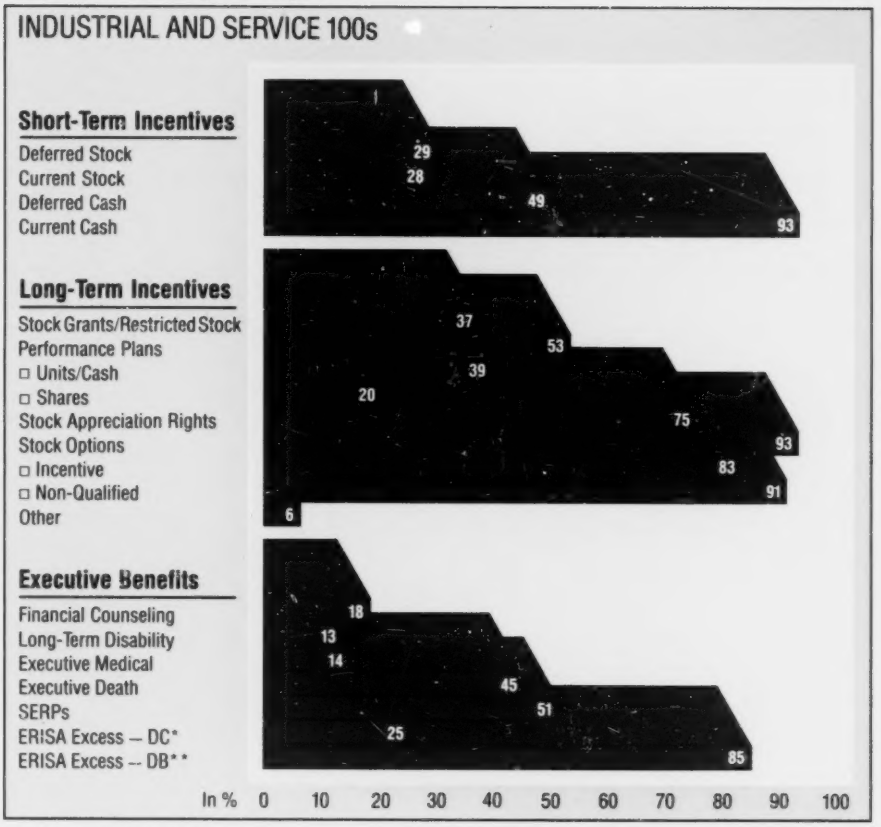


Exhibit 4 contains data on a variety of compensation elements that supplement base salary and broad-based employee benefit plans. Because of changes in SEC disclosure requirements last year, many of the less costly elements – mainly executive benefits and perquisites – are no longer reported in detail. Therefore, although the exhibit reports on the prevalence of various executive benefits practices, TPF&C's experience indicates that the figures for such items as financial counseling and executive medical plans are significantly understated.

Prevalence of Major Compensation Elements ***Exhibit 4***



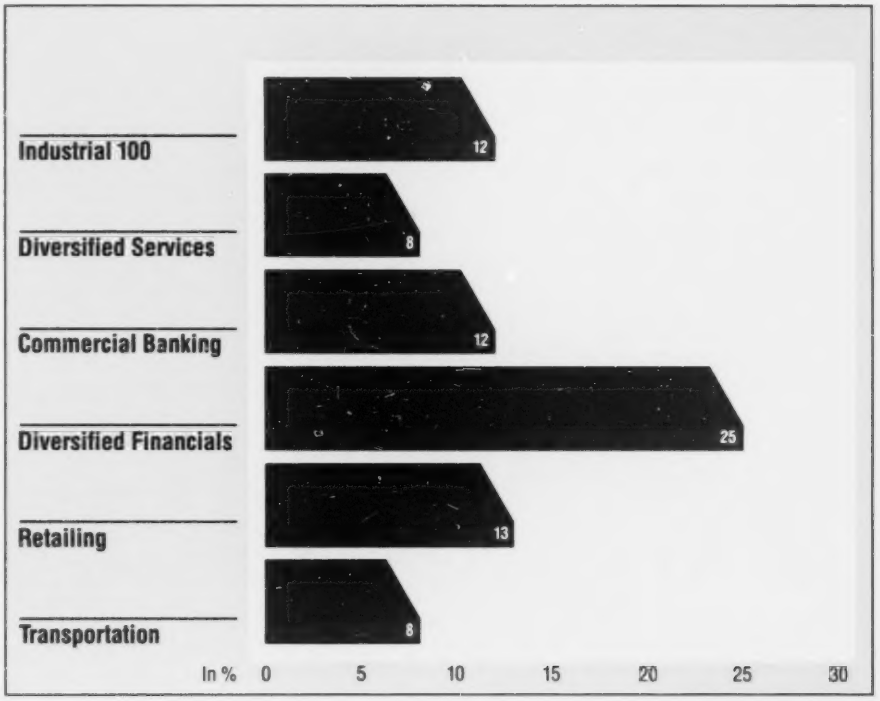
*DC indicates Defined Contribution
**DB indicates Defined Benefit

Executive cash compensation typically comprises base salary and annual incentive awards. In 1983, enhanced in large measure by the rebound in annual incentive awards, the median percentage increase in total cash compensation in the combined Industrial and Service 100s was 12% for the 622 executives who held the same position in each of the past two years.

Median cash compensation increases for incumbent CEOs in the Industrial, Commercial Banking and Retailing sectors were close to the overall 12% median *(Exhibit 5)*. The highest median increase was reported for the CEO in the Diversified Financial sector, reflecting the tremendous financial gains realized by many firms in that industry in 1983. The median CEO pay increases were lowest in the beleaguered Transportation industry and the Diversified Services sector. In the latter, however, the variation in actual compensation increases was extremely wide, as was the variation in company performance.

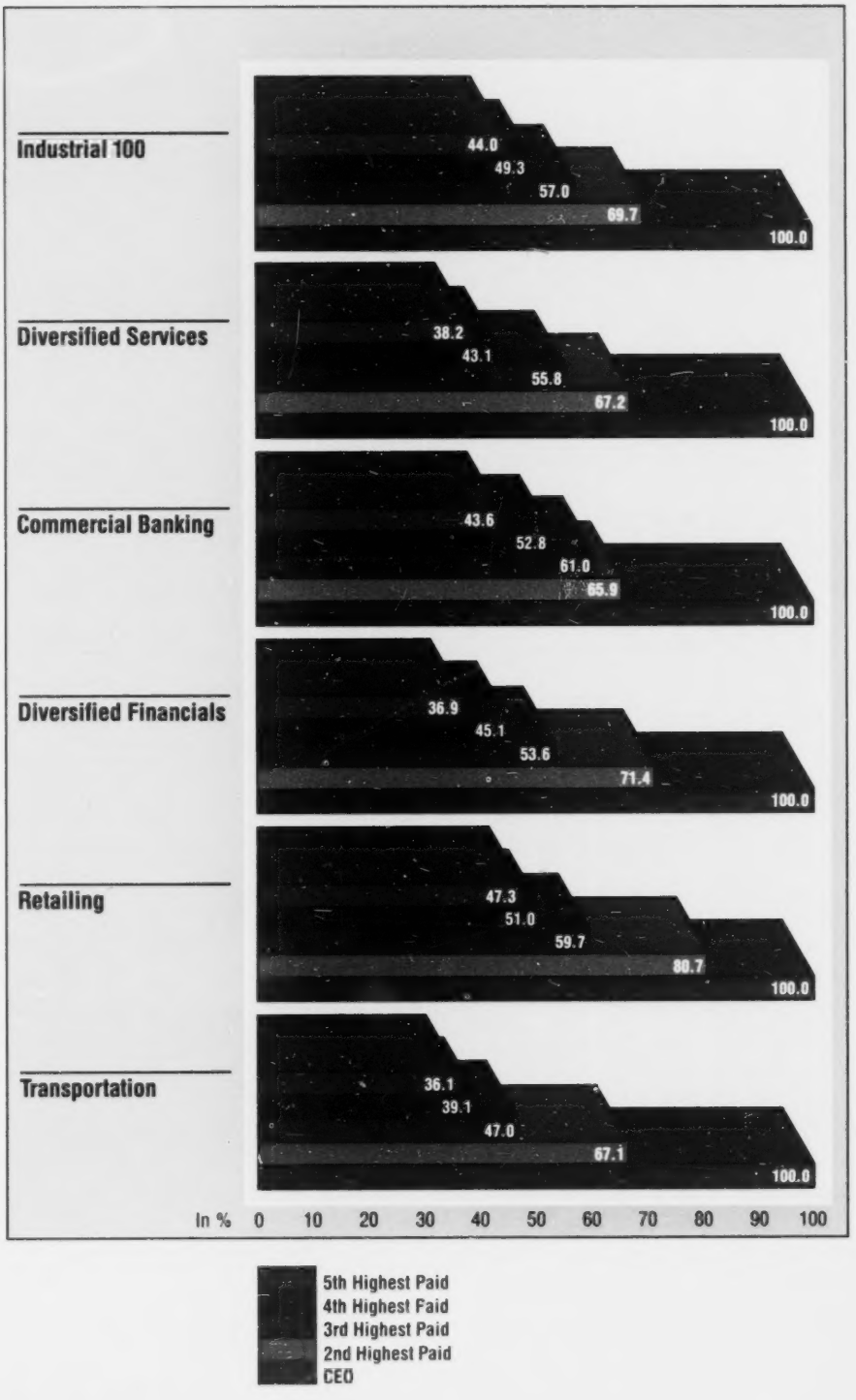
Median Percentage Increase in Cash Compensation for CEOs (Constant Population)

Exhibit 5



The median increase for the second highest-paid executive in our study – generally the Chief Operating Officer – was greater than the 12% overall median. The figures for the third- and fourth-highest paid executives followed the overall median, but the median increase for the fifth highest-paid executive fell behind. *Exhibit 6* shows the median cash compensation for each executive as a percent of CEO pay.

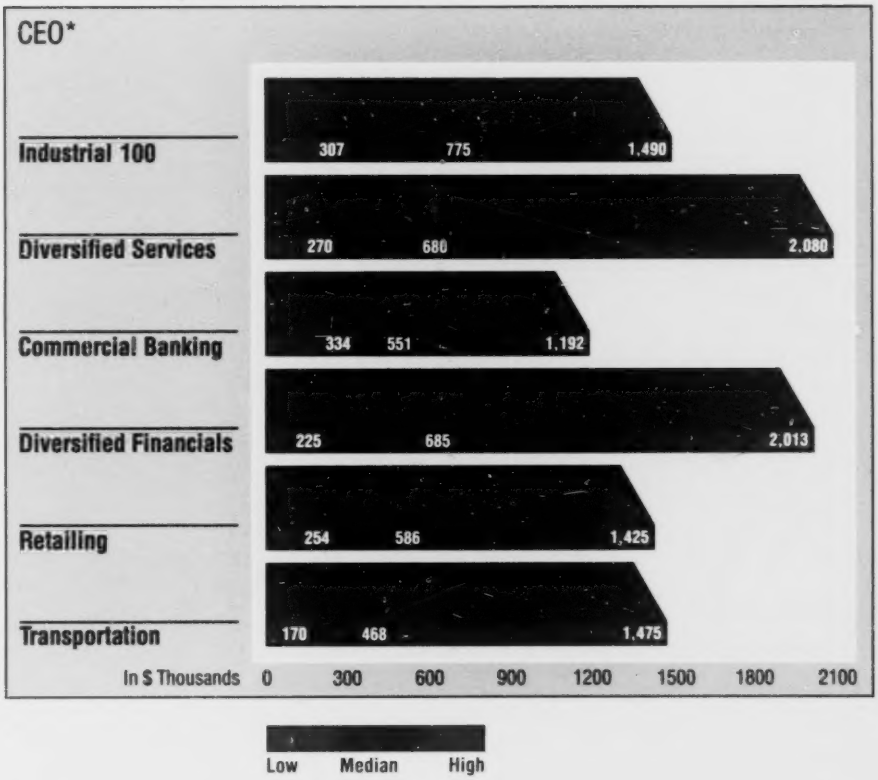
Senior Executive Compensation as a Percentage of CEO Pay ***Exhibit 6***



The bar graph in *Exhibit 7* illustrates the low, median and high compensation levels for the CEO in each industry group. The table reports on the same compensation levels for all five senior executives in each industry group. Organization size – whether expressed in terms of sales, revenues, assets or other industry-specific measures – continued to exert a strong influence on pay levels. Therefore, absolute comparisons among industries should be made with extreme care. As we have noted, the Industrial group represents the largest industrial companies in the United States; the Service 100 covers the largest companies in each industry segment and representative middle-ranking companies.

Total Cash Compensation Statistics ($000)

Exhibit 7



		Industrial 100	Diversified Services	Commercial Banking	Diversified Financials	Retailing	Transportation
CEO*	Low	307	270	334	225	254	170
	Median	775	680	551	685	586	468
	High	1,490	2,080	1,192	2,013	1,425	1,475
2ND HIGHEST PAID	Low	247	248	219	135	305	120
	Median	540	457	363	489	473	314
	High	1,330	2,080	680	1,500	1,010	825
3RD HIGHEST PAID	Low	191	233	133	104	254	115
	Median	442	379	336	367	350	220
	High	1,235	1,920	680	1,272	967	681
4TH HIGHEST PAID	Low	165	202	154	89	204	87
	Median	382	293	291	309	299	183
	High	1,090	1,920	680	806	946	613
5TH HIGHEST PAID	Low	150	155	132	79	179	67
	Median	341	260	240	253	277	169
	High	1,010	1,920	438	720	684	585

*CEO is not always the highest paid

The prevalence of annual incentive plans varies little between the Industrial and Service sectors, as shown in *Exhibit 8*. Companies strive to make these plans consistent with their financial goals so that they accurately reward both individual and team contributions toward meeting these goals.

Percentage of Companies Offering Short-Term Incentives ***Exhibit 8***

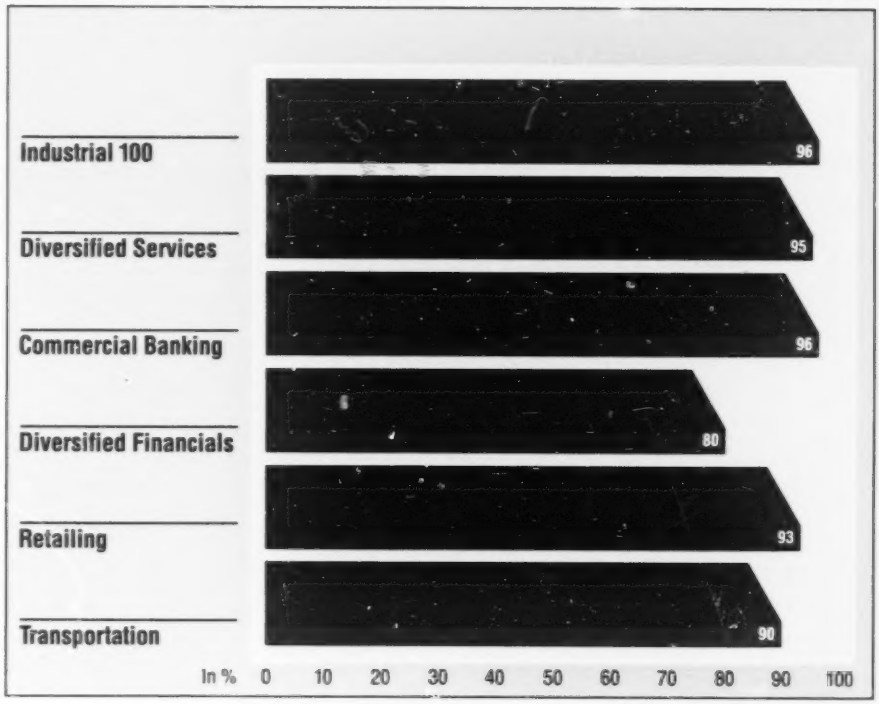
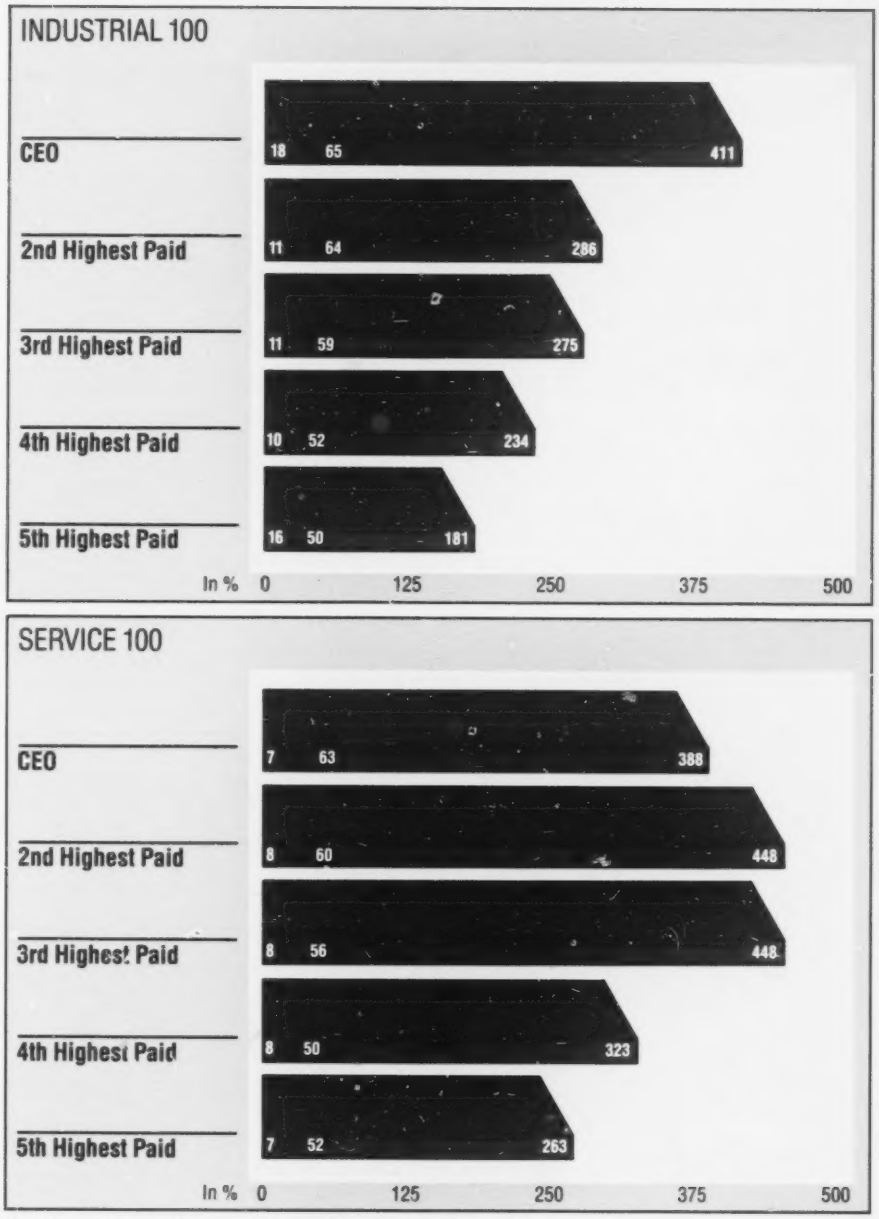


Exhibit 9 shows the annual incentive as a percent of salary for companies that both paid awards and reported salary and incentive awards separately in their proxy statements. The Service 100 follows the same general pattern as the Industrial 100.

Because the annual incentive award forms such a significant portion of an executive's income, it can be a powerful instrument for motivating the individual to accomplish key organizational goals. How it does this, however, cannot readily be discerned from formal plan documents, which usually provide only overall guidelines and funding formulas. In most companies, annual incentive plans are administered to emphasize the importance of focusing on key business issues, the need to reach appropriate milestones in critical strategic plans and the contribution of each individual to the organization's success. Thus, the annual incentive plan plays an important role in driving an executive's performance consistently toward the organization's long-term goals. U.S. business culture fosters this concept.

Annual Incentive Award as a Percentage of Base Salary* ***Exhibit 9***

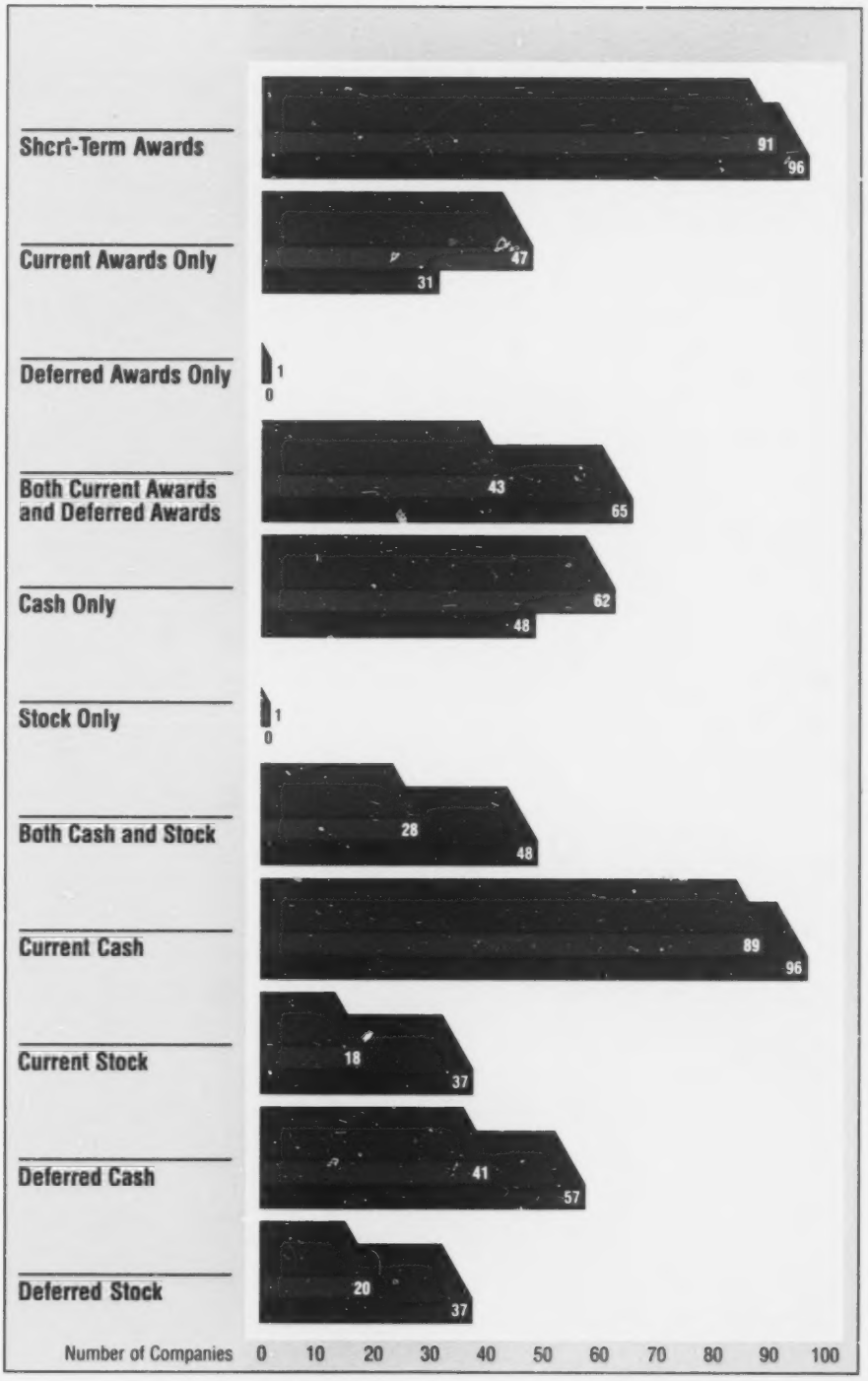


*based on disclosure of separate salary and incentive award amounts by 39 Industrial 100 and 28 Service 100 companies

Low Median High

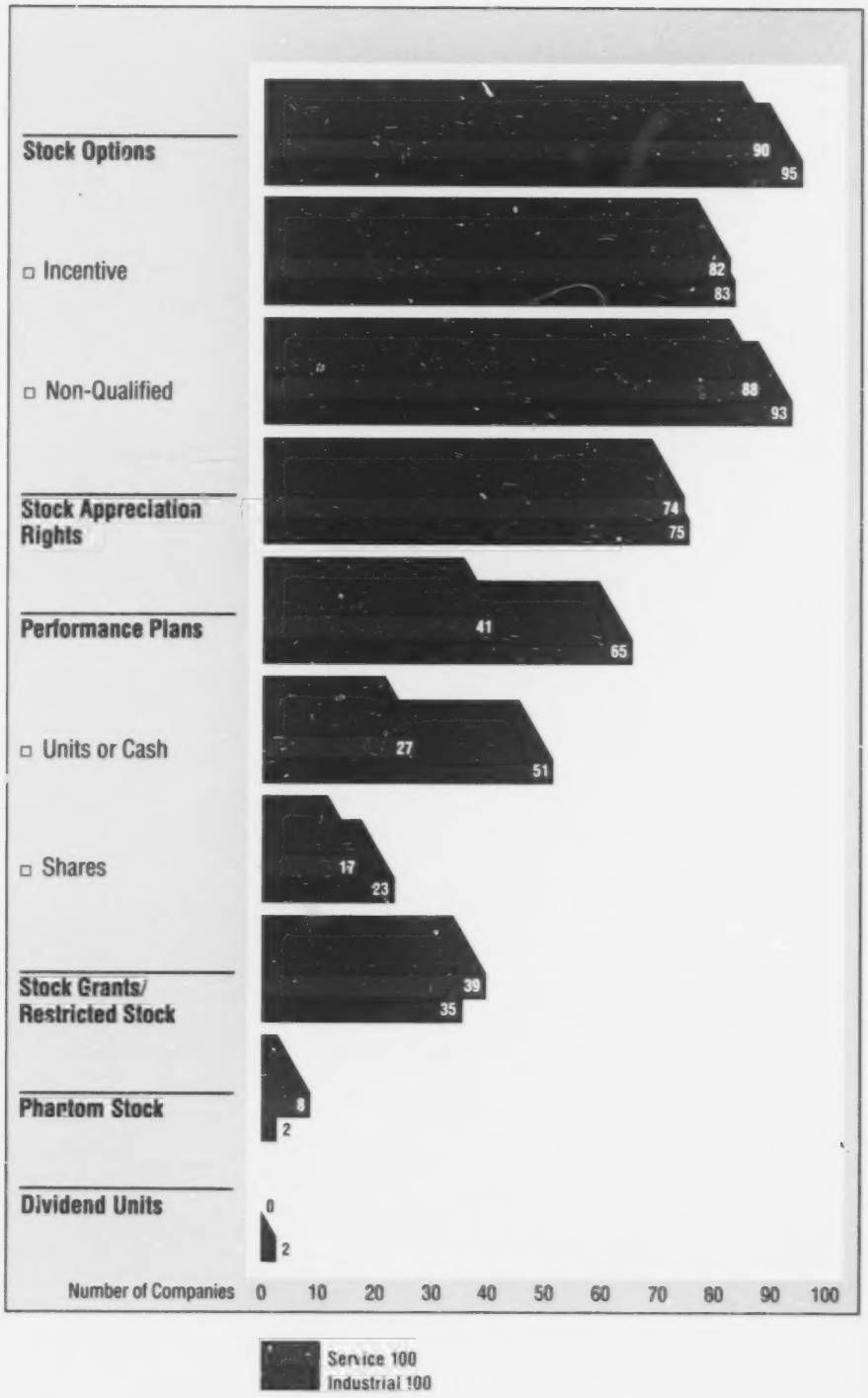
Once an award is earned, there are a variety of ways to deliver the payment to the individual. *Exhibit 10* shows the prevalence of the more common methods of payment, from immediate cash and company stock to forced and voluntary deferrals. Definitions of these techniques can be found on page 19 preceding the listings of individual company practices.

Prevalence of Short-Term Incentives ***Exhibit 10***



Executive stock ownership continues to underlie the long-term incentive plans of the Industrial and Service 100s. Last year, 95 companies in the Industrial 100 and 90 in the Service 100 offered stock options – non-qualified and incentive – to their senior executives. More than 80% of these organizations also used stock appreciation rights to facilitate exercise and promote ownership. The increasing numbers of performance plans – 65 in the Industrial 100 and 41 in the Service 100 – show management's interest in measuring long-term performance against specific corporate goals and standards of excellence. These performance plans, as well as the various programs reported in *Exhibit 11*, generally use company stock for at least part of the reward payment.

Prevalence of Long-Term Incentives ***Exhibit 11***



To determine whether these long-term incentive plans were actually promoting stock ownership among inside directors, TPF&C analyzed share ownership among the Industrial 100 executives. The analysis clearly showed that CEOs and other inside directors have substantial ownership positions in their companies, and that the long-term incentive plans provide significant potential for increasing that position.

At one end of the scale, as would be expected, are executives who owned controlling interests in their companies, frequently because they are founders or members of the founder's family. At the other end of the scale are many newly appointed CEOs who owned very few shares but may hold substantial rights as part of an inducement to employment.

Excluding these extremes, we found that stock ownership among the remaining CEOs ranged between 14,259 and 77,272 shares. To give a dollar perspective to these shares, we looked at the data in terms of value to the shareholder and found that market value as of August 1984 ranged between $525,078 and $3,194,971. These same CEOs had rights to acquire additional blocks of shares, ranging between 3,702 and 75,035 shares, under their option and incentive programs.

Because the acquisition of shares can require significant cash outlays or result in heavy tax obligations, the number of shares these executives actually retain after conversion may be only a fraction of the total available. In effect, if company performance supported stock price growth, a CEO might realistically expect to increase his actual stock ownership by some 15% to 35% of his total rights. Based on that assumption, the median increase in the value of the stock holdings would be $525,400 at August market values.

To study non-CEO inside directors, we used the number of shares owned and the number of rights available to calculate the average stock position for the inside directors of each company. Again, dropping the extremes, we found that non-CEO inside directors owned between 6,817 and 30,529 shares, with an August market value ranging between $236,898 and $1,304,808. Additional stock acquired under the stock rights would result in a median increase, at August market values, of $166,500 in the holdings of a non-CEO inside director.

TPF&C's analysis of stock holdings, both actual and potential, among executives in the Industrial 100 suggests that boards of directors believe strongly in the idea that executives' fortunes should be tied closely to shareholder value.

Despite the evidence linking executive rewards to shareholder value, some observers believe that current incentive plans need to be strengthened to achieve a better "pay for performance" balance. TPF&C has worked with companies to reorient some traditional incentive compensation plans to performance measures and techniques that concentrate executive attention directly on achieving specific strategic results that are expected to increase shareholder value. Some of the long-term incentive practices listed in Exhibit 11 — and reported in detail for each company in the Appendix — are being reshaped to help management respond to the challenges of a changing economy and worldwide competitive markets.

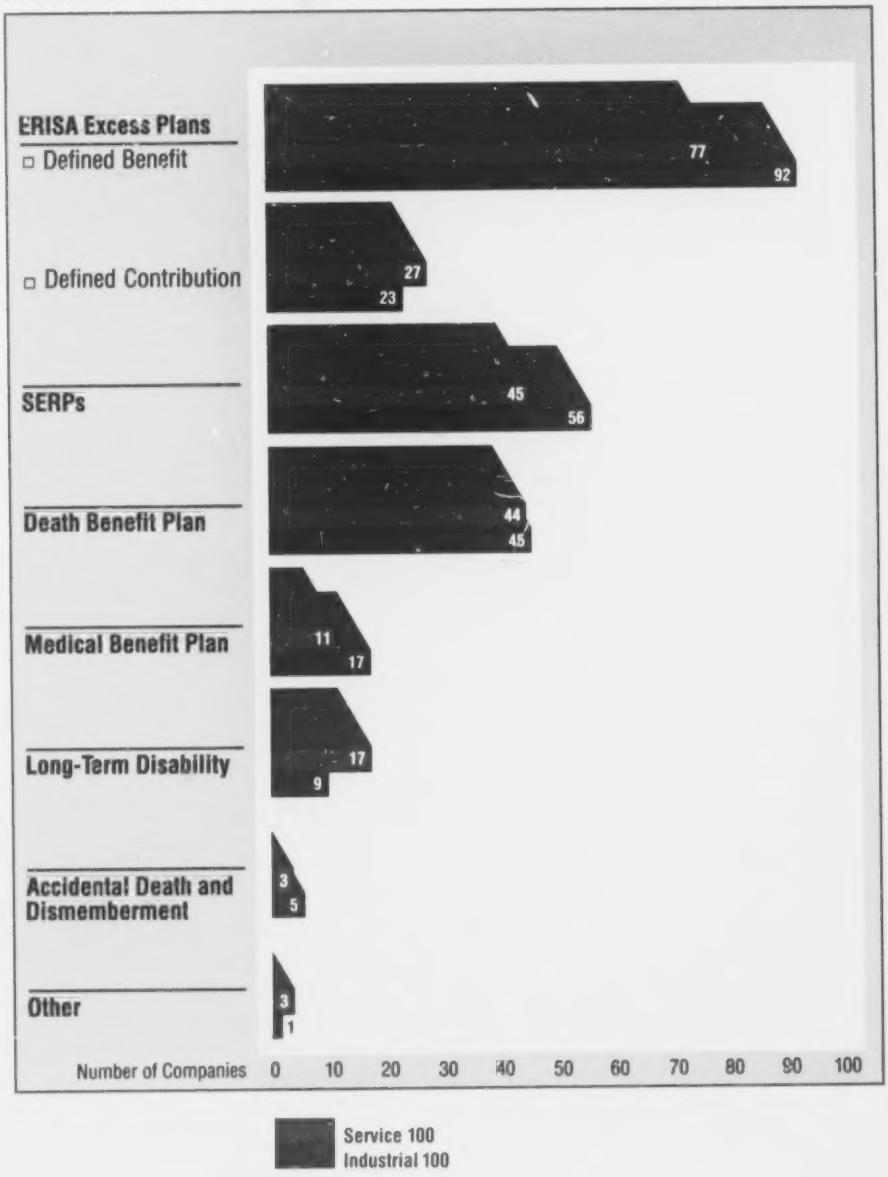
Historically, benefit plans have served both to supplement cash compensation and to reinforce its role in motivating and rewarding executives. Although traditional employee benefit programs are still the main source of benefits for top management, many companies in the Industrial and Service 100s have special plans for their senior executives *(Exhibit 12)*.

The number of companies with ERISA excess plans, which replace the benefits that employers cannot provide under qualified retirement plans due to statutory dollar limits, increased significantly during the past year, partially as a result of the lower limits imposed by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Ninety-two of the Industrial 100 and 77 of the Service 100 reported defined benefit excess plans. Twenty-three and 27 companies, respectively, adopted excess plans applicable to their defined contribution programs, a significant increase over the 12 plans reported by the Industrial companies in last year's study.

Supplemental executive retirement plans (SERPs) typically provide additional benefits for short-service executives or upon early retirement. Some offer additional pension credits based on pay not covered by the regular retirement program. This year's survey revealed that SERPs were present in *one-half* the companies, almost equally divided between the Industrial and Service sectors.

The number of special executive death benefit plans increased moderately among the survey companies, while special programs covering medical benefits, long-term disability and accidental death and dismemberment remained constant. However, all these plans may be more common than the survey indicated because some programs were reported only in the aggregate with no specific plan references.

Prevalence of Executive Benefits ***Exhibit 12***



EXECUTIVE CONTRACTS

Many companies continue to use comprehensive employment contracts, with or without deferred compensation amounts, either as a matter of policy for certain top-level executives or, more frequently, in connection with executive recruiting. Thirty Industrial 100 companies reported contracts with 64 executives. In the Service 100, 38 companies offered contracts to 105 executives. Six companies in the Industrial 100 and three in the Service 100 reported these arrangements for the CEO only.

In addition, continued corporate consolidations and takeover attempts have led to the increasing use of "golden parachute" contracts to protect executives from arbitrary dismissal following a change in control. These contracts cover a wide range of amounts, types of compensation and events triggering such payments. Several extremely large settlements, however, have caused the public to view golden parachutes in general with considerable skepticism.

Last year, a blue-ribbon panel, working with the Securities and Exchange Commission on takeover tactics, questioned the effectiveness and appropriateness of such contracts. And with the passage of the Deficit Reduction Act of 1984 (DEFRA), Congress established guidelines and imposed penalties on "excess" payments made in conjunction with a change in corporate ownership. If a golden parachute is determined to be excessive under the DEFRA guidelines, a company will not be allowed a corporate tax deduction for the payment. Moreover, in addition to all other taxes due, the executive will have to bear a 20% excise tax on the excess parachute amount. Additional details on the law's impact can be found in TPF&C's Background Report, *Deficit Reduction Act of 1984: The Effect on Employee Benefit Plans and Executive Compensation*.

Sixteen of the Industrial 100 companies offered golden parachutes to one or more executives, up from 12 the previous year. Sixteen companies in the Service 100 also reported such change-in-control agreements. The only sector within the Service group not reporting golden parachutes was Retailing.

As with any such practice, some abuses exist. But we believe it was wrong to judge all such arrangements on the basis of a few extreme examples. The result, of course, has been Congressional intervention, through special tax penalties, in determining executive pay. TPF&C views this action with concern. The all-encompassing Congressional definitions that restrict or eliminate golden parachutes may have a deleterious effect on future executive compensation programs and the competitive market for executive talent.

APPENDIX

Definitions of Short-Term Incentives

To ensure consistent interpretation of study results, we define the various short-term awards as follows:

- **Current Cash** – Any award paid in cash either immediately following the close of the year on which the award is based or in installments beginning in that year and continuing for a number of years during active employment.
- **Current Stock** – Any award paid in stock either immediately following the close of the year on which the award is based or in installments beginning in that year and continuing for a number of years during active employment.
- **Deferred Cash** – Any award paid in cash, but not until termination or retirement. The fact that the payment at termination or retirement might be in a lump sum or spread over several annual installments is not considered and does not affect this classification. Similarly, there is no analysis of any increase (e.g., interest payments) in the award amount during the deferral period.
- **Deferred Stock** – Any award made in stock under the short-term incentive plan, but not paid until termination or retirement. The fact that the payment at termination or retirement might be in a lump sum or spread over several annual installments is not considered and does not affect this classification. Similarly, there is no analysis of any increase (e.g., market price gains and/or dividend equivalents) in the award amount during the deferral period.

Definitions of Long-Term Incentives

We define the various long-term awards as follows:

- **Stock Options** – A stock option grant is an opportunity to purchase shares of company stock at a stated price (typically, the current market value at date of grant) during a given period of time, frequently ten years.
  - **Incentive Stock Options** – Options that meet certain requirements of the Internal Revenue Code, thereby receiving special tax treatment. Key requirements include: options must be granted at 100% of fair market value and exercised in the order granted; the exercise period cannot exceed ten years, and stock must be held two years from date of grant and one year from date of exercise. If all requirements are met, the executive does not incur tax at time of exercise and proceeds at sale are taxed as a long-term capital gain. The company does not receive a tax deduction in conjunction with an ISO.
  - **Non-Qualified Stock Options** – Any option to purchase company stock that does not meet the special requirements for an ISO. The executive must pay ordinary income tax at the time of exercise on the spread between the option price and the fair market value on date of exercise. The company receives a tax deduction equal to the amount the executive realizes as income.
- **Stock Appreciation Rights** – A right granted in connection with an option where the executive, in lieu of exercising the option, can receive a payment equal to the amount by which the fair market value of the stock, on the date the option otherwise would have been exercised, exceeds the option price. These payments can be made in cash or free shares of stock having an equivalent value, or a combination of both.
- **Performance Plans** – A contingent award is made that will be earned in whole or in part according to the degree of achievement of predetermined performance goals over a predetermined span of time (usually three to six years). Performance goals are most often stated in terms of earnings-per-share growth, but other measures may be used.
  - **Performance Unit Awards** – Any performance grant expressed as contingent units or a specific cash amount. Units are assigned an arbitrary value and the portion of the award earned is typically paid in cash but may be in shares of stock of equivalent value.
  - **Performance Share Awards** – Any performance grant expressed as contingent shares of stock. The award, to the extent earned, is paid in stock or, alternatively, the employee may receive the cash equivalent of the common stock or a combination of cash and stock.
- **Stock Grants** – Grants of stock at no or nominal cost. In some instances, the stock grant is in the form of restricted stock that is nontransferable and/or subject to substantial risk of forfeiture until some special conditions are met. The restrictions are typically designed to lapse over a period of years, based on continuing service.
- **Phantom Stock** – Any award made in units analogous to an actual share of stock where the employee receives, after a period of time, the equivalent of the appreciation in the value of the underlying stock and frequently an amount equal to dividends paid during the period. This sum may be paid out either in cash or in stock.
- **Dividend Units** – Any award made in units analogous to an actual share of stock where the employee receives only the equivalent of dividends paid on shares of the company's stock.

SHORT- AND LONG-TERM INCENTIVE PLANS IN THE TOP 100 U.S. INDUSTRIAL COMPANIES (1)

Company	Short-Term Incentive Plans				Long-Term Incentive Plans							
					Stock Options			Performance Plans				
	Current Cash	Current Stock	Deferred Cash (2)	Deferred Stock (2)	ISO	NQSO	SARs	Units or Cash	Shares	Phantom Stock	Stock Grants	Dividend Units
Allied Corporation	•	•	•	•	•	•	•	•				
Aluminum Company of America	•			•		•	•					
Amerada Hess Corporation	•		•							•	•	
American Brands, Inc.	•				•	•	•					
American Home Products Corporation	•	•		•	•	•	•					
American Motors Corporation	•					•	•					
Anheuser-Busch Companies, Inc.	•				•	•	•					
Archer-Daniels-Midland Company	No Plan Reported				•	•						
Armco Inc.	•			•	•	•	•	•				
Ashland Oil, Inc.	•				•			•				
Atlantic Richfield Company	•	•	•	•	•	•		•			•	
Beatrice Companies, Inc.	•				•	•			•			
Bethlehem Steel Corporation	•	•	•		•	•	•					
The Boeing Company	•	•	•		•	•	•					
Borden, Inc.	•	•	•	•	•	•	•	•				
Bristol-Myers Company	•		•		•	•	•	•				
Burroughs Corporation	•		•		•	•	•	•				
CPC International Inc.	•	•		•	•	•	•	•			• •	
Caterpillar Tractor Co.	•		•		•	•	•					
Champion International Corporation	•	•	•	•	•	•	•	•				
Chevron Corporation	•			•					•		•	
Chrysler Corporation	•	•	•	•	•	•	•	•				
The Coastal Corporation	•				•	•	•					
The Coca-Cola Company	•		•		•	•	•	•			•	
Colgate-Palmolive Company	•		•	•	•	•	•					
Consolidated Foods Corporation	•		•		•	•	•	•				
The Continental Group, Inc.	•				•	•	•		•			
Control Data Corporation	•				•	•		•			•	
Dart & Kraft, Inc.	•	•	•		•	•	•	•	•		•	
Deere & Company	•				•	•	•					
Diamond Shamrock Corporation	•		•		•	•	•	•				
Digital Equipment Corporation	No Plan Reported					•						
The Dow Chemical Company	•			•	•	•	•				•	•
E.I. du Pont de Nemours and Company	•	•	•	•	•	•	•					
Eastman Kodak Company	No Plan Reported				•			•				
Esmark, Inc.	•		•		•	•	•		•		•	
Exxon Corporation	•	•	•	•	•	•	•	•				
The Firestone Tire & Rubber Company	•				•	•	•		•		•	
Ford Motor Company	•		•	•	•	•	•					
General Dynamics Corporation	•	•	•	•	•	•			•			
General Electric Company	•	•	•	•	•	•	•	•			•	
General Foods Corporation	•		•		•	•	•	•			•	
General Mills, Inc.	•	•	•	•	•	•		•				
General Motors Corporation	•	•			•	•	•	•				
Georgia-Pacific Corporation	•					•	•					
The Goodyear Tire & Rubber Company	•	•		•	•	•	•					
W.R. Grace & Co.	•	•	•	•	•	•	•	•	•		•	
Gulf & Western Industries, Inc.	•		•		•	•	•					
H.J. Heinz Company	•		•		•	•	•	•				
Hewlett-Packard Company	No Plan Reported				•	•	•					
Honeywell Inc.	•	•	•	•	•	•			•			
IC Industries, Inc.	•				•	•	•	•			•	
ITT Corporation	•	•	•	•	•	•	•	•			• •	
International Business Machines Corporation	•	•	•	•	•	•	•					
International Harvester Company	•				•	•	•	•	•		• •	

Company	Short-Term Incentive Plans				Long-Term Incentive Plans								
					Stock Options			Performance Plans					
	Current Cash	Current Stock	Deferred Cash (2)	Deferred Stock (2)	ISO	NQSO	SARs	Units or Cash	Shares	Phantom Stock	Stock Grants	Dividend Units
International Paper Company	●			●	●	●			●			
Johnson & Johnson	●	●			●	●		●			●	
The LTV Corporation	●				●	●	●	●				
Litton Industries, Inc.	●				●	●	●					
Lockheed Corporation	●		●		●	●	●					
Martin Marietta Corporation	●					●	●					
McDonnell Douglas Corporation	●	●			●	●	●					
Minnesota Mining and Manufacturing Company	●				●	●		●				
Mobil Corporation	●	●	●	●	●	●	●	●				
Monsanto Company	●	●	●	●	●	●	●	●			●●	
Motorola, Inc.	●		●		●	●		●				
NCR Corporation	●				●	●		●				
Nabisco Brands, Inc.	●		●						●			
North American Philips Corporation	●					●	●	●				
Occidental Petroleum Corporation	●					●	●				●	
PPG Industries, Inc.	●	●	●	●	●	●	●		●			
PepsiCo, Inc.	●					●	●	●			●	
Pfizer Inc.	●				●	●	●	●	●		●	
Philip Morris Incorporated	●				●	●						
Phillips Petroleum Company	●	●	●					●	●			
The Pillsbury Company	●		●	●	●	●		●	●			
The Procter & Gamble Company	●	●	●	●	●	●	●					
Ralston Purina Company	●	●	●	●	●	●					●	
Raytheon Company	●		●		●	●						
R.J. Reynolds Industries, Inc.	●		●	●	●	●	●	●	●		●	●
Rockwell International Corporation	●	●			●	●	●		●		●●	
Shell Oil Company	●	●	●	●	●	●	●	●				
The Signal Companies, Inc.	●		●		●	●	●	●			●	
Sperry Corporation	●		●		●	●	●	●			●	
The Standard Oil Company (an Ohio Corporation)	●		●	●	●	●	●	●			●	
Standard Oil Company (Indiana)	●	●	●	●	●	●	●	●	●		●	
Sun Company, Inc.	●	●	●			●	●	●			●	
TRW Inc.	●				●	●	●	●				
Tenneco Inc.	●				●	●	●	●				
Texaco Inc.	●		●						●	●	●	
Texas Instruments Incorporated	●	●	●	●	●	●		●				
Time Incorporated	●		●		●	●	●		●		●	
Union Carbide Corporation	●		●			●	●					
Union Pacific Corporation	●		●	●	●	●	●				●	
United States Steel Corporation	●					●	●					
United Technologies Corporation	●	●			●	●	●	●				
Unocal Corporation	●	●	●			●	●		●		●●	
Westinghouse Electric Corporation	●	●	●	●	●	●	●	●	●		●●	
Weyerhaeuser Company	●		●		●	●	●					
Xerox Corporation	●		●		●	●	●	●			●	

(1) Companies are those ranked by *Fortune* (May 1984). American Motors Corporation, International Harvester Company, NCR Corporation, PPG Industries, Inc. and The Pillsbury Company have been substituted for AT&T Technologies, Inc., Agway Inc., The Charter Company, Getty Oil Company and Gulf Oil Corporation.

(2) "Deferred" awards indicate provision for payout after termination or retirement under the short-term incentive plan or under a separate deferred compensation plan but do not include individual contractual deferred compensation arrangements.

● Indicates feature included in plan.

● New feature adopted in 1984.

● Restricted stock.

Please note that this chart reports methods of payment or form of awards for which the companies have made provisions in their plans, but does not necessarily indicate methods of payment or form of awards actually used.

SHORT- AND LONG-TERM INCENTIVE PLANS IN THE U.S. SERVICE 100 COMPANIES (1)

Company	Short-Term Incentive Plans				Long-Term Incentive Plans							
					Stock Options			Performance Plans				
	Current Cash	Current Stock	Deferred Cash (2)	Deferred Stock (2)	ISO	NQSO	SARs	Units or Cash	Shares	Phantom Stock	Stock Grants	Dividend Units
Diversified Services (20)												
Alco Standard Corporation	•				•	•						
American Broadcasting Companies, Inc.	•		•	•							•	
American Hospital Supply Corporation	•				•	•	•		•		•	
CBS Inc.	•		•	•		•	•					
City Investing Company	•							•		•		
The Dun & Bradstreet Corporation	•				•	•	•	•				
Fleming Companies, Inc.	•				•	•	•					
Fluor Corporation	•		•		•	•	•				•	
Genuine Parts Company	•				•	•						
Halliburton Company			•								•	
Hospital Corporation of America	No Plan Reported				•	•						
Humana Inc.	•				•	•	•				•	
IU International Corporation	•		•		•	•	•			•		
McKesson Corporation	•		•	•	•	•	•	•				
National Medical Enterprises, Inc.	•				•	•	•				••	
Phibro-Salomon Inc.	•					•	•				•	
RCA Corporation	•	•	•		•	•	•	•				
Ryder System, Inc.	•		•		•	•	•	•			•	
Super Valu Stores, Inc.	•				•	•	•					
Whittaker Corporation	•				•	•		•			•	
Commercial Banking (25)												
BankAmerica Corporation	•				•	•	•				•	
Bankers Trust New York Corporation	•		•		•	•	•	•				
Bank of Boston Corporation	•	•			•	•		•				
Barnett Banks of Florida, Inc.	•				•	•	•				•	
The Chase Manhattan Corporation	•		•	•	•	•	•		•		•	
Chemical New York Corporation	•	•	•	•					•		••	
Citicorp	•	•	•	•	•	•	•					
Citizens and Southern Georgia Corporation	•				•	•	•	•				
CoreStates Financial Corp	•				•	•	•	•			•	
First Chicago Corporation	•		•			•	•		•		•	
First City Bancorporation of Texas, Inc.	•					•	•				••	
First Interstate Bancorp	•				•	•	•	•			•	
InterFirst Corporation	•					•	•	•				
Manufacturers Hanover Corporation	•		•		•	•	•				•	
Mellon National Corporation	•	•	•	•	•	•	•	•				
J.P. Morgan & Co. Incorporated	•		•	•	•	•	•				••	
NBD Bancorp, Inc.	•		•						•		•	
National City Corporation	•		•	•	•	•	•					
Norwest Corporation	•		•		•	•	•	•			•	
PNC Financial Corp	•		•		•		•					
RepublicBank Corporation	•		•		•	•		•				
Security Pacific Corporation	•	•	•	•	•	•	•					
Sovran Financial Corporation	•		•		•	•	•					
Texas Commerce Bancshares, Inc.	•				•	•	•				•	
The Wachovia Corporation	No Plan Reported				•	•	•					
Diversified Financials (20)												
Aetna Life and Casualty Company	•	•	•	•	•	•	•					
H.F. Ahmanson & Company	•		•		•	•				•	•	
American Express Company	•				•	•	•	•	•		•	
American General Corporation	•	•	•	•	•	•	•	•		•	••	
American International Group, Inc.	No Plan Reported				•	•						
Beneficial Corporation		•			No Plan Reported							
CIGNA Corporation	•	•	•	•	•	•	•	•			•	
The Continental Corporation	•		•		•	•	•	•				

Company	Short-Term Incentive Plans				Long-Term Incentive Plans							
					Stock Options			Performance Plans				
	Current Cash	Current Stock	Deferred Cash (2)	Deferred Stock (2)	ISO	NQSO	SARs	Units or Cash	Shares	Phantom Stock	Stock Grants	Dividend Units
Donaldson, Lufkin & Jenrette, Inc.	•				•				•			
Federal National Mortgage Association	No Plan Reported				•	•	•		•			
Financial Corporation of America	No Plan Reported				•	•						
First Boston, Inc.	•				•	•	•		•		•	
Great Western Financial Corporation	No Plan Reported				•	•	•			•		
The E. F. Hutton Group Inc.	•		•		•	•						
Imperial Corporation of America	•				•	•	•					
Merrill Lynch & Co., Inc.	•		•						•		•	
Paine Webber Group Inc.	•				•	•	•				• •	
The St. Paul Companies, Inc.	•		•		•	•	•	•				
Transamerica Corporation	•				•	•	•					
The Travelers Corporation	•	•	•	•	•	•	•					
Retailing (15)												
American Stores Company	•				•	•	•					
Carter Hawley Hale Stores, Inc.	•		•	•	•	•	•	•				
Dayton-Hudson Corporation	•				•	•			•			
Federated Department Stores, Inc.	•				•	•	•				•	
Household International, Inc.	•				•	•	•	•	•		• •	
K mart Corporation	•				•	•	•					
The Kroger Co.	•					•	•	•				
Lucky Stores, Inc.	•		•		•	•	•					
The May Department Stores Company	•		•	•	•	•	•	•			•	
J. C. Penney Company, Inc.	•				•	•	•	•			• •	
SAFEWAY Stores, Incorporated	•				•	•	•					
Sears, Roebuck and Co.	•				•	•	•	•	•		•	
The Southland Corporation	•	•	•		•	•	•					
Wal-Mart Stores, Inc.	No Plan Reported				•	•	•					
Winn-Dixie Stores, Inc.	•				No Plan Reported							
Transportation (20)												
AMR Corporation	•					•	•					
Burlington Northern Inc.	•	•	•		•	•	•		•			
CSX Corporation	•				•	•	•			•		
Consolidated Freightways, Inc.	•	•		•	•	•	•	•				
Delta Air Lines, Inc.	•									•		
Eastern Air Lines, Inc.	No Plan Reported				•	•	•		•			
Federal Express Corporation	•				•	•						
Norfolk Southern Corporation	•			•	•	•	•				• •	
Northwest Airlines, Inc.	No Plan Reported				•	•						
Pan American World Airways, Inc.	•	•	•		•	•	•		•		•	
Republic Airlines, Inc.	•				•	•	•					
Roadway Services, Inc.	•	•		•							•	
Santa Fe Southern Pacific Corporation	•		•		•	•	•		•		•	
Texas Air Corporation	•				•	•	•					
Trans World Airlines, Inc.	•	•			•	•				•		
UAL, Inc.	•		•		•	•	•					
USAir Group, Inc.	•		•		•	•	•					
United Parcel Service of America, Inc.	•			•		•						
Western Air Lines, Inc.	•				•	•	•					
Yellow Freight System, Inc. of Delaware	•	•			•	•	•				•	

(1) A selected sample of 100 companies from the *Fortune* Service 500 (June 11, 1984), including 20 diversified service companies, 25 commercial banks, 20 diversified financial companies, 15 retailers and 20 transportation companies.

(2) "Deferred" awards indicate provision for payout after termination or retirement under the short-term incentive plan or under a separate deferred compensation plan but do not include individual contractual deferred compensation arrangements.

• Indicates feature included in plan.

• New feature adopted in 1984.

• Restricted stock.

Please note that this chart reports methods of payment or form of awards for which the companies have made provisions in their plans, but does not necessarily indicate methods of payment or form of awards actually used.

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- communications
- employee statements
- human resource information management
- risk management
- strategy development and implementation
- organization design and development
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BOSTON
BRISBANE
BRUSSELS
CALGARY
CARACAS
CHICAGO
CLEVELAND
DALLAS
DENVER
DETROIT
FRANKFURT
HONG KONG
HOUSTON
LONDON
LOS ANGELES
MELBOURNE
MILWAUKEE
MINNEAPOLIS
MONTREAL
NEWPORT BEACH
NEW YORK
PARIS
PHILADELPHIA
PITTSBURGH
SADDLE BROOK
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